

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, 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 and is exempt from State of California personal income taxes. In the further 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 such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.

\$4,200,000

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-01
(FANCHER CREEK)
SPECIAL TAX BONDS, SERIES 2013A**

Dated: Date of Delivery

Due: September 1, as shown on the Inside Cover

The California Statewide Communities Development Authority Community Facilities District No. 2012-01 (Fancher Creek), Special Tax Bonds, Series 2013A (the “Bonds”) are being issued under the Mello-Roos Community Facilities Act of 1982 (the “Act”) to (a) finance the acquisition of certain completed public infrastructure improvements and the payment of certain development impact fees needed to mitigate the impacts of the development of property within Improvement Area 1 (“Improvement Area 1”) and Improvement Area 3 (“Improvement Area 3”) of the California Statewide Communities Development Authority Community Facilities District No. 2012-01 (Fancher Creek), City of Fresno, County of Fresno, State of California (the “District”), (b) make a deposit to the Reserve Fund, (c) capitalize interest on the Bonds through September 1, 2014, and (d) pay certain costs of issuing the Bonds. See “ESTIMATED SOURCES AND USES OF BOND PROCEEDS” herein.

Bonds may be purchased in the principal amount of \$5,000 or integral multiples thereof. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2013. The Trustee pays interest to the Holders as their names appear, at the close of business as of the fifteenth day of the calendar month preceding the calendar month in which the applicable Interest Payment Date falls. The Bonds are being issued as fully registered bonds in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers will not receive certificates representing their interest in the Bonds. See Appendix H - “BOOK-ENTRY SYSTEM.”

THE BONDS REPRESENT A HIGH DEGREE OF SPECULATIVE RISK.

Investment in the Bonds involves risks which may not be appropriate for some investors. See “SPECIAL RISK FACTORS” for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds. This cover page contains information for general reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Redemption” herein.

The Bonds are secured by a pledge of and are payable from the Special Tax (as defined herein) to be levied on certain real property within Improvement Area 1, including any prepayments thereof and any amounts received, net of costs of collection, as a result of foreclosure or other actions by the California Statewide Communities Development Authority (the “Authority”) to collect delinquent Special Tax, and amounts held in certain funds pursuant to the Indenture (as defined herein). To the extent necessary and in the manner set forth in the Improvement Area 1 Rate and Method, the Special Tax includes amounts levied in Improvement Area 3 of the District until such Supplemental Improvement Area is released as described in the Indenture. **Improvement Area 2 will not be subject to the lien of special tax for payment of or security for the Bonds.** See “SECURITY FOR THE BONDS.”

THE PRINCIPAL OF AND INTEREST AND REDEMPTION PREMIUMS, IF ANY, ON THE BONDS ARE LIMITED OBLIGATIONS PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX. THE AUTHORITY IS NOT OBLIGATED TO PAY THE BONDS EXCEPT FROM THE PROCEEDS OF THE SPECIAL TAX. THE GENERAL FUNDS AND ASSETS OF THE AUTHORITY ARE NOT LIABLE AND THE FULL FAITH AND CREDIT OF THE AUTHORITY IS NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS. NO TAX OR ASSESSMENT OTHER THAN THE SPECIAL TAX SHALL EVER BE LEVIED OR COLLECTED TO PAY THE PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THE PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE MONEY HELD IN THE SPECIAL TAX FUND PURSUANT TO THE INDENTURE. NEITHER THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS IS A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY.

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to the approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriter by Lofton & Jennings, San Francisco. Orrick, Herrington & Sutcliffe LLP is also acting as Disclosure Counsel to the Authority. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about February 7, 2013.

STONE & YOUNGBERG
A DIVISION OF STIFEL NICOLAUS

MATURITY SCHEDULE

relating to

\$4,200,000

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-01 (FANCHER CREEK)
SPECIAL TAX BONDS, SERIES 2013A
(Base CUSIP[†] 13077E)**

\$50,000 3.500% Term Bonds Maturing September 1, 2018, Price 100.00%, CUSIP Suffix[†] DH0

\$200,000 4.750% Term Bonds Maturing September 1, 2023, Price 100.00%, CUSIP Suffix[†] DN7

\$3,950,000 5.700% Term Bonds Maturing September 1, 2043, Price 99.279%, CUSIP Suffix[†] DV9

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CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

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Kevin O'Rourke, Vice Chair
Terry Schutten, Treasurer
Dwight Stenbakken, Secretary
Dan Mierzwa, Member
Tim Snellings, Member
Irwin Bornstein, Member

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David Taussig and Associates, Inc.
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Appraiser

Peter S. Cooper Appraisals, Inc.
Peter S. Cooper, MAI

Bond and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP

Trustee

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

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 with respect to the Authority, the District or the Bonds other than the information contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

Certain of the information set forth herein has been obtained from sources which the Authority believes to be reliable, but such information is not guaranteed as to accuracy or completeness.

All summaries of the Indenture or other documents are made subject to the provisions thereof and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement includes forward-looking statements that are based on the current expectations and projections of the Authority or the Developer about future events. These forward-looking statements are subject to risks and uncertainties, including risks and uncertainties outside the control of the Authority, the Developer, or both. Such statements generally are identifiable by the terminology used, such as “project,” “plan,” “expect,” “anticipate,” “estimate,” “budget,” “believe” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Authority’s or the Developer’s forecasts in any way. Except as set forth in the Authority’s and the Developer’s Continuing Disclosure Certificates, forms of which are attached as Appendix G hereto, the Authority and the Developer do not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or change.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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OFFICIAL STATEMENT
\$4,200,000
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-01
(FANCHER CREEK)
SPECIAL TAX BONDS, SERIES 2013A

INTRODUCTION

The purpose of this Official Statement, including the cover, table of contents and the Appendices, is to provide certain information concerning the \$4,200,000 aggregate principal amount of California Statewide Communities Development Authority Community Facilities District No. 2012-01 (Fancher Creek), Special Tax Bonds, Series 2013A (the “Bonds”).

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, the more complete and detailed information contained in the entire Official Statement, including the cover page and Appendices hereto, and the documents summarized or described herein. Investors should review the entire Official Statement. The sale and delivery of the Bonds to investors is made only by means of the entire Official Statement.

The Bonds are being issued under the Mello-Roos Community Facilities Act of 1982 (the “Act”) to (a) finance the acquisition of certain completed public infrastructure improvements and the payment of certain development impact fees needed to mitigate the impacts of the development of property within Improvement Area 1 (“Improvement Area 1”) and Improvement Area 3 (“Improvement Area 3”) of the California Statewide Communities Development Authority Community Facilities District No. 2012-01 (Fancher Creek) (the “District”), (b) make a deposit to the Reserve Fund, (c) pay capitalized interest on the Bonds through September 1, 2014, and (d) pay certain costs of issuing the Bonds. See “ESTIMATED SOURCES AND USES OF BOND PROCEEDS” herein.

Bonds may be purchased in principal amounts of \$5,000 or integral multiples thereof. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2013. The Trustee pays interest to the Holders as their names appear, at the close of business as of the fifteenth day of the calendar month preceding the calendar month in which the applicable Interest Payment Date falls. The Bonds are being issued as fully registered bonds in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers will not receive certificates representing their interest in the Bonds. See Appendix H – “BOOK-ENTRY SYSTEM.” The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Redemption” herein.

The Bonds will be issued in accordance with the provisions of an indenture, dated as of February 1, 2013 (the “Indenture”), between the Authority and the Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Commission of the California Statewide Communities Development Authority (the “Authority”), through proceedings conducted under the Act, has become authorized to issue special tax bonds for Improvement Area 1 in an aggregate principal amount not to exceed \$10,000,000. Following the issuance of the Bonds, Additional Bonds are permitted pursuant to the Indenture under the existing bond authorization. See “SECURITY FOR THE BONDS – Additional Bonds.”

The District is located within the City of Fresno (the “City”) in Fresno County, California. Fresno, the county seat of the County of Fresno, is the hub of the San Joaquin Valley, located approximately 200 miles north of Los Angeles and 170 miles south of Sacramento. For further

information on the City, see “THE COMMUNITY OF FRESNO” and Appendix A – “GENERAL INFORMATION ABOUT THE CITY OF FRESNO AND VICINITY.”

Pursuant to the Act, the District contains three separate improvement areas, each of which may be subject to independent special taxes in accordance with rates and methods of apportionment relating to such improvement area. Though the District consists of three Improvement Areas, only Improvement Area 1 and, to the extent required, Improvement Area 3, will be subject to the lien of the Special Tax securing the Bonds. **Improvement Area 2 and Public land use areas will not be subject to the lien of the Special Tax securing the Bonds.**

The Rates and Methods of Apportionment of Special Tax at the time of issuance of the Bonds are described herein; however, the Developer and the Authority expect that the Rates and Methods of Apportionment of Special Taxes for Improvement Area 1 and Improvement Area 3 will be amended in early 2013 pursuant to change proceedings conducted by the Authority, as more particularly described under “SECURITY FOR THE BONDS – Proposed Amendments to Rates and Methods of Apportionment.”

The property within the District is currently predominately vacant and undeveloped, with proposed development consisting of mixed-use commercial space, multifamily residential units, and public land use areas such as a plaza, lake, and a recreation area. Improvement Area 1 consists of 77.90 acres designated the Fancher Creek Business Park, and is expected to include business, commercial, industrial, and retail flex space. Improvement Area 3 consists of 23.33 acres designated the Village at Fancher Creek, and is expected to include mixed-use commercial, retail, and a residential center. The infrastructure improvements in Improvement Area 1 and Improvement Area 3 are complete. Improvement Area 1 and Improvement Area 3 are subject to the levy of the Special Tax for payment of the Bonds, as described under “SECURITY FOR THE BONDS.” The District also includes Improvement Area 2 (“Improvement Area 2”), consisting of a 95.0 acre mixed-use commercial shopping center designated “Town Center.” In the future, one or more separate series of bonds may be issued and a special tax may be levied within Improvement Area 2, but the levy of special tax in Improvement Area 2 will not secure the Bonds.

Fancher Creek Properties, LLC is the owner of the land within the District (the “Developer”). See “THE DEVELOPER.” Zoned M-1, Improvement Area 1 is located in a Federal Empowerment Zone, providing wage credits and tax incentives for businesses; within the 77.90-acre, 43-lot park the Developer expects to construct over 1.1 million square feet of business, commercial, industrial, and retail flex-space, housed in concrete tilt-up, stick-frame, and multi-story steel frame buildings with an enhanced lighting and landscaping plan throughout the development. The infrastructure improvements have been designed and constructed to include fiber optic and broadband technology. Improvement Area 1’s location, adjacent to the Fowler Avenue on and off ramps of the new Freeway 180 extension, provides improved access to the greater Fresno area. A portion of the District designated Improvement Area 3, Zoned C-2, is a 21.84-acre mixed-use commercial, retail, and residential center. At full build-out Improvement Area 3 is planned to include approximately 250,000 square feet of building improvements. Improvement Area 2, Zoned C-3, is a 95.0 acre mixed-use commercial shopping center. At full build-out Improvement Area 2 will allow for offices, a plaza, a lake and recreation areas. Maps showing the general location of the City and the District in particular appear on the pages following this introduction. All of the infrastructure improvements in Improvement Area 1 and Improvement Area 3 are complete other than a water well, which, if required by the City, will be constructed by the Developer and financed with either the Developer’s equity or an additional series of bonds. For additional information concerning the District and its development, see “THE DISTRICT.”

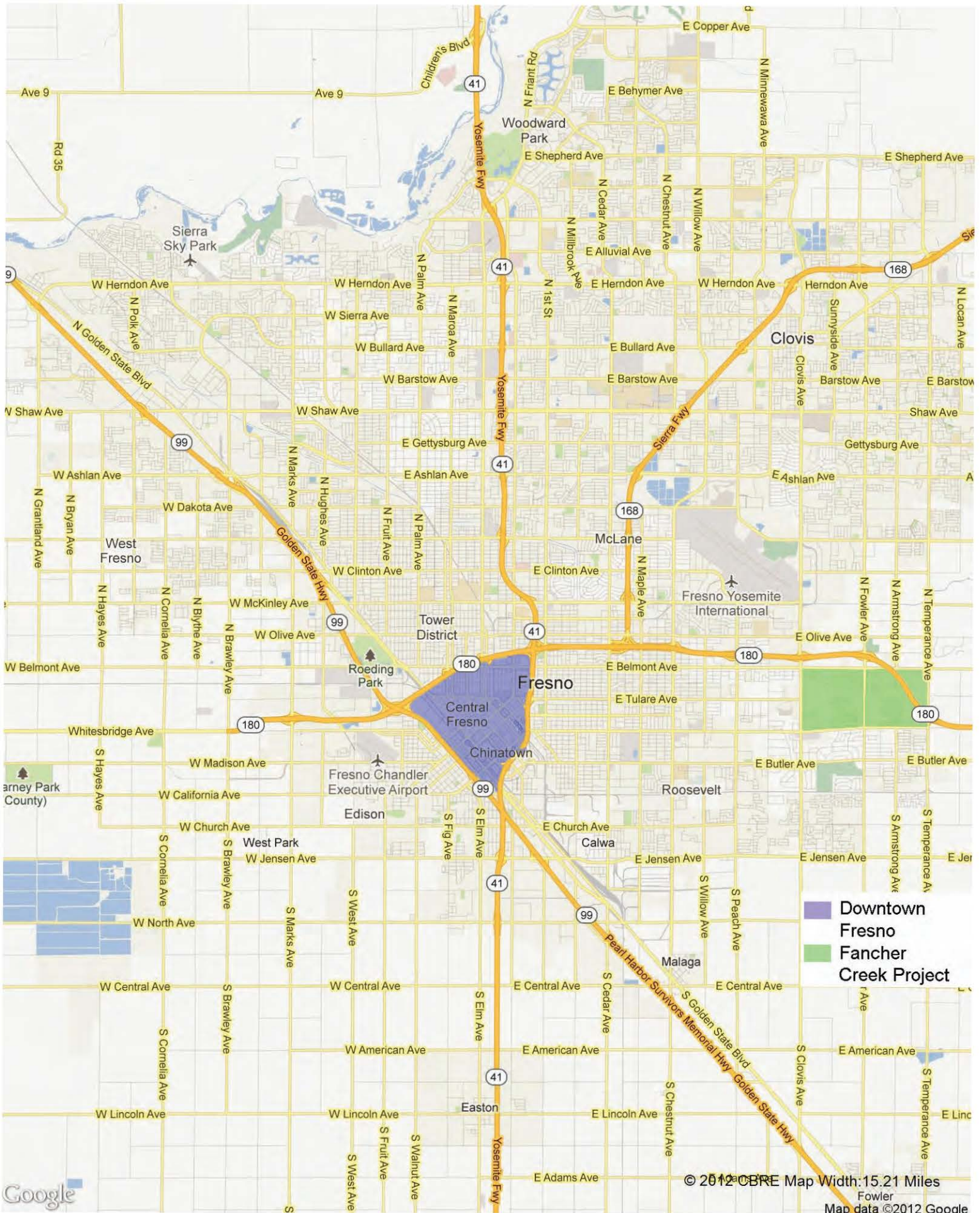
Pursuant to the Act, the qualified electors of the District were the owners of all Taxable Property within the District including Improvement Area 1 and Improvement Area 3. They approved the levy of a special tax (the “Special Tax”) on their real property within the boundaries of Improvement Area 1. See

“THE DISTRICT – General Information.” The Bonds are limited obligations payable solely from and secured by a pledge of the Special Tax, including any prepayments thereof and any amounts received, net of costs of collection, as a result of foreclosure or other actions by the Authority to collect delinquent Special Tax, and amounts held in certain funds pursuant to the Indenture. See “SECURITY FOR THE BONDS.” To the extent necessary and in the manner set forth in the Improvement Area 1 Rate and Method, the Special Tax includes amounts levied in Improvement Area 3 until such Supplemental Improvement Area is released as described in the Indenture. See “SECURITY FOR THE BONDS – Supplemental Improvement Area.” **Improvement Area 2 will not be subject to the lien of special tax for payment of or security for the Bonds.** The Bonds will be further secured by amounts on deposit in a Reserve Fund. See “SECURITY FOR THE BONDS – Funds and Accounts; Flow of Funds.”

THE PRINCIPAL OF AND INTEREST AND REDEMPTION PREMIUMS, IF ANY, ON THE BONDS ARE LIMITED OBLIGATIONS PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX. THE AUTHORITY IS NOT OBLIGATED TO PAY THE BONDS EXCEPT FROM THE PROCEEDS OF THE SPECIAL TAX. THE GENERAL FUNDS AND ASSETS OF THE AUTHORITY ARE NOT LIABLE AND THE FULL FAITH AND CREDIT OF THE AUTHORITY IS NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS. NO TAX OR ASSESSMENT OTHER THAN THE SPECIAL TAX SHALL EVER BE LEVIED OR COLLECTED TO PAY THE PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THE PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE MONEY HELD IN THE SPECIAL TAX FUND PURSUANT TO THE INDENTURE. NEITHER THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS IS A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY.

Certain risk factors should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. See “SPECIAL RISK FACTORS.”

Brief descriptions of the Bonds, the Indenture, the security for the Bonds, the District, the status of development within the District and certain other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Indenture and other documents are qualified in their entirety by reference to the complete terms thereof. Capitalized terms used but not defined herein have the meanings given in the Indenture, certain provisions of which, including certain definitions, are summarized in Appendix F hereto. Copies of the Indenture and such other documents may be obtained from the Trustee at 400 South Hope Street, Suite 400, Los Angeles, CA 90071.



CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-01

(Fancher Creek)

180

Sagebiel Kings Canyon Hwy

Improvement

Area No. 1

APN:
313-270-76

Improvement

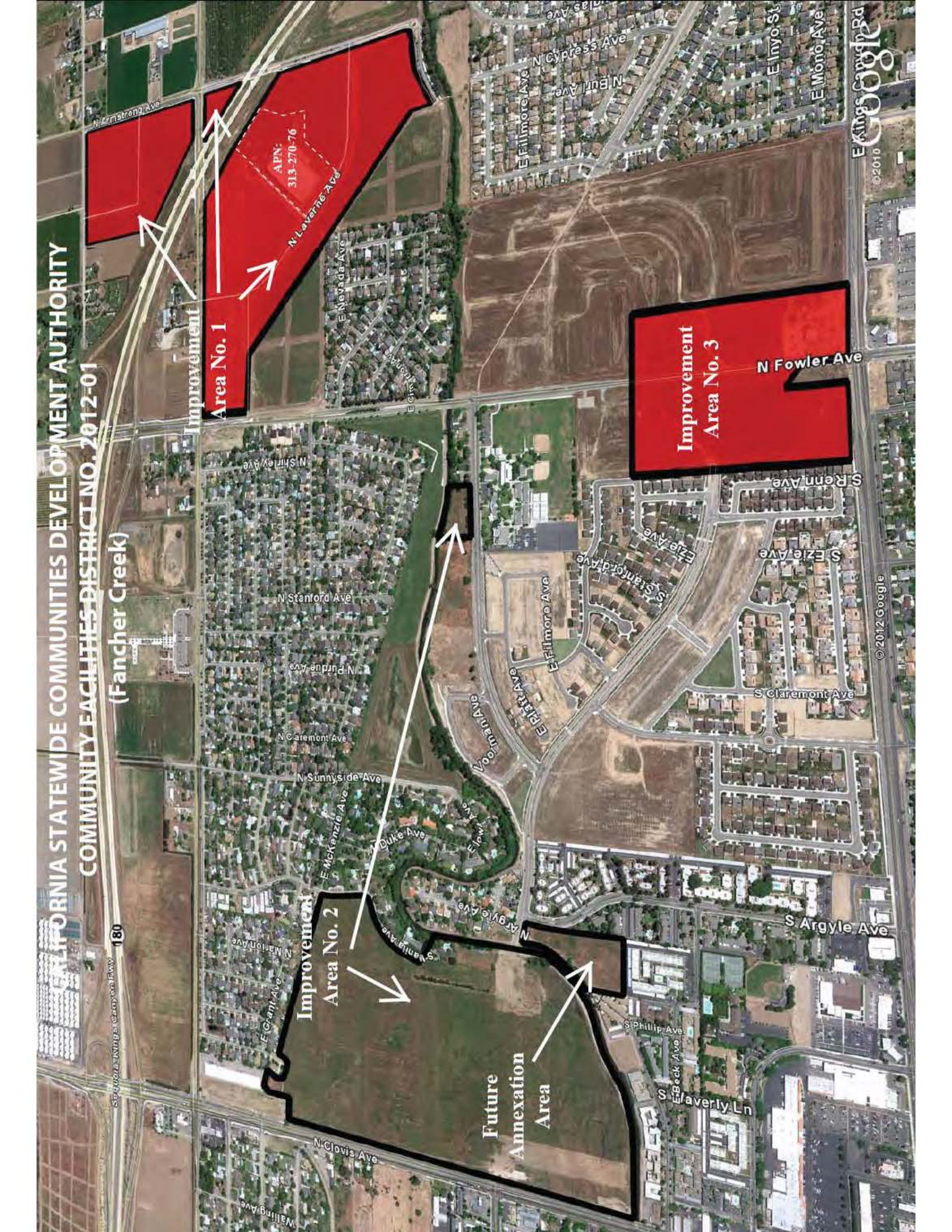
Area No. 2

Future
Annexation
Area

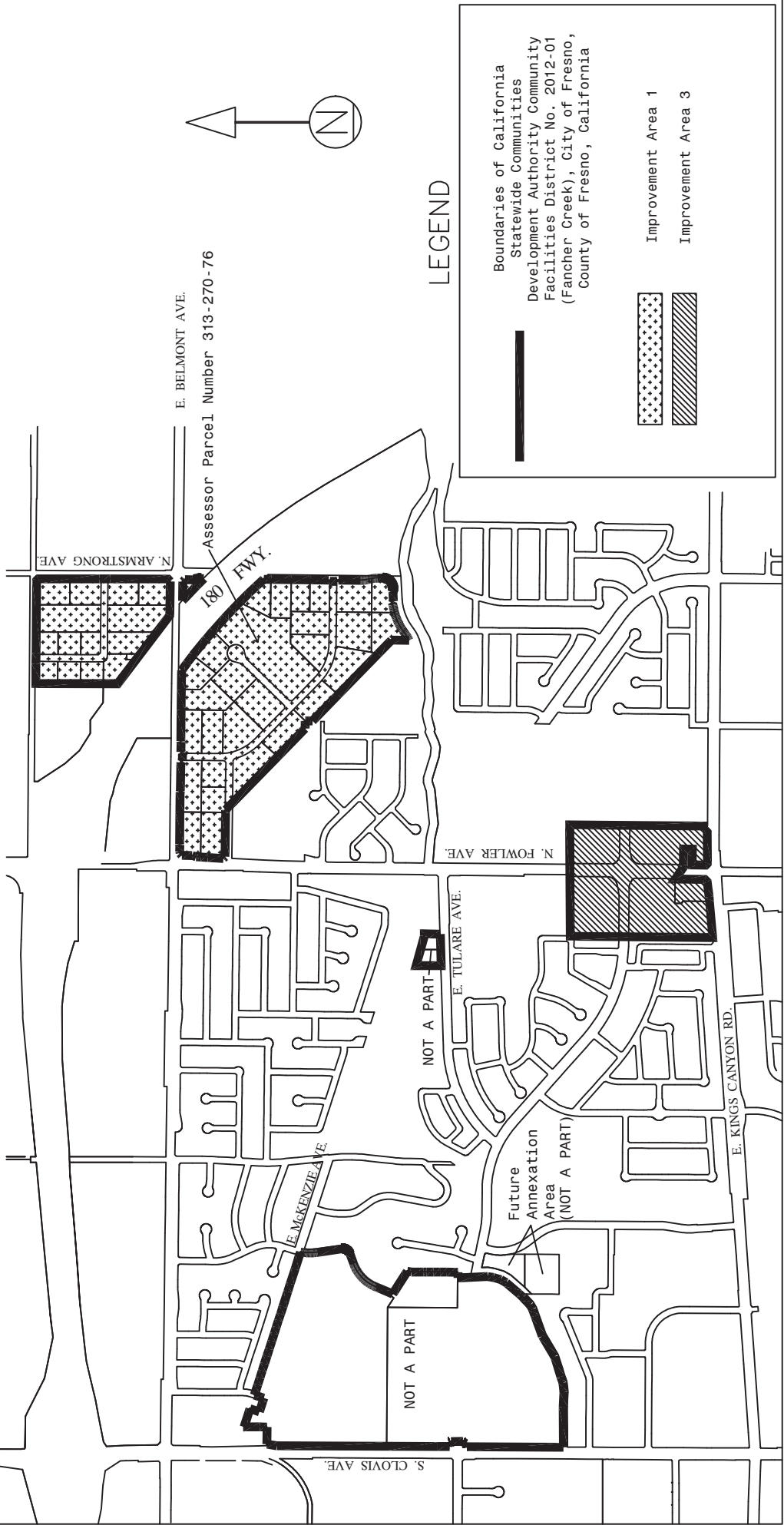
Improvement
Area No. 3

© 2010 Google
Kings Canyon Rd

© 2012 Google



BOUNDARIES OF
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-01
(Fancher Creek)
CITY OF FRESNO
COUNTY OF FRESNO
STATE OF CALIFORNIA



LEGEND

Boundaries of California
 Statewide Communities
 Development Authority Community
 Facilities District No. 2012-01
 (Fancher Creek), City of Fresno,
 County of Fresno, California

Improvement Area 1
 Improvement Area 3

THE BONDS

Description of the Bonds

The Bonds will be issued pursuant to the Act and the Indenture as fully registered Bonds without coupons in denominations of \$5,000, or any integral multiple thereof (not exceeding the principal amount maturing at any one time). The Bonds will be issued in book-entry only form. The Depository Trust Company, New York, New York will act as securities depository for the Bonds. So long as the Bonds are held in book-entry only form, principal of and interest on the Bonds will be paid directly to DTC for distribution to the beneficial owners of the Bonds in accordance with DTC's procedures. See Appendix H – "BOOK-ENTRY SYSTEM."

The Bonds will be dated the date of delivery and will mature on September 1 in the years and in the principal amounts shown on the inside cover of this Official Statement. The Bonds will bear interest at the per annum rates shown on the inside cover of this Official Statement. Such interest will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2013 (each, an "Interest Payment Date") and will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Trustee pays interest to the Holders as their names appear, at the close of business as of the fifteenth day of the calendar month preceding the calendar month in which the applicable Interest Payment Date falls. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated on a day during the period from the sixteenth (16th) day of the calendar month next preceding an Interest Payment Date to such Interest Payment Date, both days inclusive, in which event it will bear interest from such Interest Payment Date, or (ii) it is authenticated on a day on or before the fifteenth (15th) day of the month preceding the first Interest Payment Date, in which event it will bear interest from its date; provided, that if at the time of authentication of any Bond interest is then in default on the Bonds, the Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment of interest on the Bonds.

Interest and redemption premiums, if any, on, and the principal of, the Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of the Trustee in Los Angeles or at such other place as designated by the Trustee. Payment of interest on the Bonds due on or before the maturity or prior redemption thereof will be made only to the person named in the Trustee's registration books as the registered owner thereof at the close of business on the 15th day of the month next preceding the Interest Payment Date. Interest will be paid by check mailed by first class mail to the registered owner at the address appearing in such registration books, except that a registered owner of \$1,000,000 or more in principal amount of Bonds then Outstanding may elect to receive payment on any Interest Payment Date by wire transfer of immediately available funds to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America by delivering written instructions to the Trustee at least 15 days before each such Interest Payment Date. Payment of the principal of and redemption premium, if any, on the Bonds shall be made only to the person named in such registration books as the registered owner thereof. Principal and redemption premiums, if any, will be paid only on the surrender of the Bonds at the principal corporate trust office of the Trustee at maturity or on redemption prior to maturity. **So long as Cede & Co. is the registered owner 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. 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 H – "BOOK-ENTRY SYSTEM," herein.

Redemption

Extraordinary Redemption from Prepayment of Special Tax. The Bonds are not subject to redemption prior to September 1, 2013. The Bonds are subject to extraordinary redemption by the Authority prior to their respective maturity dates as a whole or in part on any date on or after September 1, 2013, solely from money derived by the Authority from prepayments of the Special Tax under the Act at the following redemption prices (computed upon the principal amount of the Bonds or portions thereof called for redemption), together with accrued interest to the date fixed for redemption, as follows:

- 103% if redeemed on any date on or after September 1, 2013, and prior to September 1, 2016;
- 102% if redeemed on any date on or after September 1, 2016, and prior to September 1, 2020;
- 101% if redeemed on any date on or after September 1, 2020, and prior to September 1, 2023; and
- 100% if redeemed on any date on or after September 1, 2023, and prior to maturity.

Transfers of property ownership and certain other circumstances could result in prepayments of the Special Tax. Such prepayments would result in redemption of all or a portion of the Bonds prior to their stated maturity, at the redemption prices corresponding to the redemption dates as shown herein and would thus cause a proportionate reduction of the amount on deposit in the Reserve Fund. See “SECURITY FOR THE BONDS – Funds and Accounts; Flow of Funds” herein.

Optional Redemption. The Bonds maturing on or after September 1, 2023, are subject to optional redemption by the Authority prior to their respective maturity dates as a whole or in part on any date on or after September 1, 2022, from money derived by the Authority from any source other than Mandatory Sinking Account Payments (defined herein) or prepayments of the Special Tax (described herein), at the principal amount of the Bonds or portions thereof called for redemption), together with accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption from Mandatory Sinking Account Payments. The Authority will establish and maintain with the Trustee the 2018 Sinking Account in the Redemption Fund for the Bonds maturing on September 1, 2018 (the “2018 Term Bonds”), to receive payments (the “2018 Mandatory Sinking Account Payments”) for the mandatory redemption of the 2018 Term Bonds. The 2018 Term Bonds are subject to mandatory redemption by the Authority prior to their maturity date in part on any September 1 on and after September 1, 2018, in the principal amounts thereof together with accrued interest thereon to the date fixed for redemption, without premium, solely from 2018 Mandatory Sinking Account Payments deposited into the 2018 Sinking Account, as follows except that if any Bonds maturing on September 1, 2018, shall have been extraordinarily and/or optionally redeemed pursuant to the Indenture, the amounts of the Mandatory Sinking Account Payments shall be reduced proportionately by the principal amount of all such Bonds so redeemed:

Term Bonds Maturing September 1, 2018

Mandatory Sinking Account Payment Date (September 1)	Mandatory Sinking Account Payments
2015	\$5,000
2016	10,000
2017	15,000
2018*	20,000

* Maturity

The Authority will establish and maintain with the Trustee the 2023 Sinking Account in the Redemption Fund for the Bonds maturing on September 1, 2023 (the “2023 Term Bonds”), to receive payments (the “2023 Mandatory Sinking Account Payments”) for the mandatory redemption of the 2023 Term Bonds. The 2023 Term Bonds are subject to mandatory redemption by the Authority prior to their maturity date in part on any September 1 on and after September 1, 2023, in the principal amounts thereof together with accrued interest thereon to the date fixed for redemption, without premium, solely from 2023 Mandatory Sinking Account Payments deposited into the 2023 Sinking Account, as follows except that if any Bonds maturing on September 1, 2023, shall have been extraordinarily and/or optionally redeemed pursuant to the Indenture, the amounts of the Mandatory Sinking Account Payments shall be reduced proportionately by the principal amount of all such Bonds so redeemed:

Term Bonds Maturing September 1, 2023

Mandatory Sinking Account Payment Date (September 1)	Mandatory Sinking Account Payments
2019	\$25,000
2020	35,000
2021	40,000
2022	45,000
2023*	55,000

* Maturity

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The Authority will establish and maintain with the Trustee the 2043 Sinking Account in the Redemption Fund for the Bonds maturing on September 1, 2043 (the “2043 Term Bonds”), to receive payments (the “2043 Mandatory Sinking Account Payments”) for the mandatory redemption of the 2043 Term Bonds. The 2043 Term Bonds are subject to mandatory redemption by the Authority prior to their maturity date in part on any September 1 on and after September 1, 2043, in the principal amounts thereof together with accrued interest thereon to the date fixed for redemption, without premium, solely from 2043 Mandatory Sinking Account Payments deposited into the 2043 Sinking Account, as follows except that if any Bonds maturing on September 1, 2043, shall have been extraordinarily and/or optionally redeemed pursuant to the Indenture, the amounts of the Mandatory Sinking Account Payments shall be reduced proportionately by the principal amount of all such Bonds so redeemed:

Term Bonds Maturing September 1, 2043

Mandatory Sinking Account Payment Date (September 1)	Mandatory Sinking Account Payments
2024	\$60,000
2025	70,000
2026	80,000
2027	90,000
2028	105,000
2029	115,000
2030	130,000
2031	140,000
2032	155,000
2033	170,000
2034	190,000
2035	205,000
2036	225,000
2037	245,000
2038	265,000
2039	290,000
2040	315,000
2041	340,000
2042	365,000
2043*	395,000

* Maturity

Selection of Bonds for Redemption. If less than all the Outstanding Bonds are to be redeemed at the option of the Authority or from prepayments of the Special Tax, the Authority will select the maturity dates from which the Bonds shall be redeemed, and if less than all the Outstanding Bonds of any one maturity are to be redeemed at any one time, the Trustee will select the Bonds of such maturity or the portions thereof to be redeemed in integral multiples of five thousand dollars (\$5,000) by lot in any manner that it deems appropriate.

Notice of Redemption. The Trustee will mail a notice of redemption to the registered owners of the Bonds selected for redemption, at the addresses appearing on the registration books, at least 30 days but not more than 60 days prior to the date fixed for redemption; however, neither the failure to receive a notice of redemption nor any immaterial defect therein shall affect the sufficiency or validity of the redemption proceedings. **So long as the Bonds are held in book-entry only form, the Trustee will send notices of redemption exclusively to DTC, as registered owner of the Bonds, and will not send**

any such notices to any beneficial owners. DTC is to distribute such notices to the beneficial owners of the Bonds in accordance with its procedures. See Appendix H – “BOOK-ENTRY SYSTEM.”

Upon written direction of the Authority received at least five (5) days prior to the date fixed for the redemption of Bonds pursuant to the Indenture, the Trustee shall promptly rescind, cancel and annul such redemption by giving notice of such rescission, cancellation and annulment to the same persons and in the same manner as the original notice of redemption.

Effect of Redemption of Bonds. If notice of redemption has been duly given, and has not been rescinded as described in the preceding paragraph, and the Trustee holds money for the payment of the principal of and redemption premiums, if any, on, together with interest to the redemption date on, the Bonds to be redeemed, then on the redemption date such Bonds to be redeemed shall become due and payable, and from and after the redemption date interest on the Bonds to be redeemed will cease to accrue and the Holders of such Bonds shall have no rights except to receive payment of principal, redemption premiums, if any, thereon and interest accrued thereon to the redemption date. Such Bonds are required to be surrendered on the redemption date at the address or addresses of the Trustee so designated. If any Bond chosen for redemption will not be redeemable in whole, upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds of the same maturity date, of authorized denominations equal in aggregate principal amount to such unredeemed portion.

Transfer and Exchange of Bonds

So long as DTC or Cede & Co. is the registered owner of the Bonds, transfers of beneficial interests in the Bonds shall be according to the DTC book-entry system, as more fully described herein. See Appendix H – “BOOK-ENTRY SYSTEM.” The Indenture provides that the Trustee will keep at its principal corporate trust office books for the transfer and exchange of the Bonds, which books at all times during normal business hours with reasonable prior notice shall be open to inspection by the Authority or by any Owner. Any Bond may, in accordance with its terms, be transferred or exchanged on such books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange, and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same maturity date and of authorized denominations for the same aggregate principal amount, except that neither the Authority nor the Trustee shall be required (i) to transfer or exchange any Bonds during the 15-day period prior to the selection of any Bonds for redemption, or (ii) to transfer or exchange any Bond which has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part.

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Debt Service Schedule

The annual debt service schedule for the Bonds is set forth as follows:

Period Ending September 1	Principal	Interest	Debt Service
2013	--	\$133,960.00	\$133,960.00
2014	--	236,400.00	236,400.00
2015	\$5,000.00	236,400.00	241,400.00
2016	10,000.00	236,225.00	246,225.00
2017	15,000.00	235,875.00	250,875.00
2018	20,000.00	235,350.00	255,350.00
2019	25,000.00	234,650.00	259,650.00
2020	35,000.00	233,462.50	268,462.50
2021	40,000.00	231,800.00	271,800.00
2022	45,000.00	229,900.00	274,900.00
2023	55,000.00	227,762.50	282,762.50
2024	60,000.00	225,150.00	285,150.00
2025	70,000.00	221,730.00	291,730.00
2026	80,000.00	217,740.00	297,740.00
2027	90,000.00	213,180.00	303,180.00
2028	105,000.00	208,050.00	313,050.00
2029	115,000.00	202,065.00	317,065.00
2030	130,000.00	195,510.00	325,510.00
2031	140,000.00	188,100.00	328,100.00
2032	155,000.00	180,120.00	335,120.00
2033	170,000.00	171,285.00	341,285.00
2034	190,000.00	161,595.00	351,595.00
2035	205,000.00	150,765.00	355,765.00
2036	225,000.00	139,080.00	364,080.00
2037	245,000.00	126,255.00	371,255.00
2038	265,000.00	112,290.00	377,290.00
2039	290,000.00	97,185.00	387,185.00
2040	315,000.00	80,655.00	395,655.00
2041	340,000.00	62,700.00	402,700.00
2042	365,000.00	43,320.00	408,320.00
2043	395,000.00	22,515.00	417,515.00
Total	\$4,200,000.00		

THE COMMUNITY OF FRESNO

The City of Fresno (the “City”) is the county seat of Fresno County and is the economic and cultural hub of the fertile Central San Joaquin Valley, a metropolitan region with more than 500,121 residents in the City and over 930,450 in Fresno County. As of 2011, the population of the City has made it the fifth largest city in California, the largest inland city in California, and the 36th largest city in the nation. The City is located in the center of the wide San Joaquin Valley of Central California, approximately 200 miles north of Los Angeles and 170 miles south of Sacramento. For further information on the City, see Appendix A –“GENERAL INFORMATION ABOUT THE CITY OF FRESNO AND VICINITY.”

THE DEVELOPER

The information in this section has been provided by the Developer. The Authority believes this information to be reliable, but can give no assurances that it is accurate or complete.

Fancher Creek Properties, LLC

Fancher Creek Properties, LLC (the “Developer”), a California limited liability company, was formed in 1999 by two veteran Central California developers, Edward M. Kashian and Thomas G. Richards, both of whom have long histories developing first class commercial, retail, office, industrial and residential projects. Their companies, Kashian Enterprises and Africal Development, LP, are the sole members in Fancher Creek Properties, LLC with each holding a 50% share in the entity. Mr. Kashian is the CEO and founder of Lance-Kashian & Company, one of the Central Valley’s leading firms in real estate development, asset management and property management. Lance-Kashian has served California since 1964, developing regional shopping centers, office complexes, industrial projects and pioneering master-planned corporate communities. Mr. Kashian was a partner in the first “power center” to be built in the country, which still exists in Fresno. Currently, Mr. Richards is the managing member of numerous limited liability companies focused on commercial development and co-managing partner for Fancher Creek Properties, LLC. Mr. Richards also established The Penstar Group in 1980 and remains its CEO. The Penstar Group’s real estate activities have included the development and construction of single-family subdivisions, condominiums, multi-family rental housing, senior rental housing, general and medical office complexes, skilled nursing facilities, industrial warehouse and manufacturing buildings and retail shopping centers. The Penstar Group’s geographic operations have extended from Fresno to the Inland Empire east of Los Angeles through Sacramento and into the Seattle, Washington area.

Fancher Creek Properties, LLC originally acquired the property within the District in 1999. In 2002 an additional 1.2 acres of property were purchased and in 2005 approximately 40 additional acres were purchased. See “THE DISTRICT – Plan and Status of Development.”

Recent projects completed by principals or related entities of Fancher Creek Properties, LLC in California include the following:

The Shires (122-Unit Luxury Apartment Complex, Fresno, CA – Complete 2012).

Cornerstone Main II (89,595 SF Four-Story Class A Medical Office Bldg., Fresno, CA – Completed 2009).

River Park Tower Office (114,000 SF Class A Mid-Rise Office Bldg., Fresno, CA – Completed 2009).

The Tower at Convention Center Court (277,000 SF Class A High-Rise Office Bldg., Fresno, CA – Completed 2003)

River Park (1.39 million SF Regional Commercial Power Center, Fresno, CA – Completed 2008).

History of Property Tax Payments; Loan Defaults; Bankruptcy. In connection with the issuance of the Bonds, a representative of the Developer will certify at the Closing, on behalf of the Developer, that, except as disclosed herein:

- Neither the Developer nor any Relevant Entity has ever defaulted to any material extent in the payment of special taxes or assessments in connection with the District or any other community facilities districts or assessment districts in California within the past five years.
- Neither the Developer nor any Relevant Entity is currently in default on any loans, lines of credit or other obligation, the result of which could materially adversely affect the development of the property owned by the Developer in the District.

- The Developer is solvent and no proceedings are pending or, to the actual knowledge of the Developer, threatened in which the Developer may be adjudicated as bankrupt or become the debtor in a bankruptcy proceeding, or be discharged from all of its debts or obligations, or be granted an extension of time to pay its debts or a reorganization or readjustment of its debts.

- There is no litigation or administrative proceeding of any nature in which the Developer has been served and to the Developer's actual knowledge, none is pending or threatened against the Developer which, if successful, would materially adversely affect the ability of the Developer to complete the development and sale of its property within the District, or to pay the Special Tax or ordinary ad valorem property tax obligations when due on its property within the District, or which challenges or questions the validity or enforceability of the Bonds, the Resolution of Issuance, the Indenture or the Bond Purchase Contract.

- The Developer is not aware of any material failures to comply with previous undertakings by it or any Relevant Entity to provide periodic continuing disclosure reports or notices of material events in connection with any other community facilities district or assessment districts in California within the past five years.

For purposes of the Developer's certification, "Relevant Entity" means (i) any person or entity directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with the Developer (including Kashian Enterprises and Africal Development, L.P.) and (ii) for whom information, including financial information or operating data, concerning such person or entity referenced in clause (i) is material to an evaluation of the Bonds, including information relevant to the development of the property within the District, the payment of Special Tax prior to delinquency, or the assets or funds held by the Developer or any such Relevant Entity that would materially affect the Developer's ability to develop such property or pay such Special Tax prior to delinquency.

THE DISTRICT

General Information

On October 25, 2012, the Authority adopted a resolution establishing the District including three improvement areas therein. At a special election held on the same date, the owners of the property within the boundaries of each improvement area of the District authorized the Authority to incur a bonded indebtedness in an amount not to exceed \$10,000,000 in Improvement Area 1 and approved a rate and method of apportioning the Special Tax to pay the principal of and interest on the Bonds with respect to Improvement Area 1 (the "Improvement Area 1 Rate and Method") and with respect to Improvement Area 3 (the "Improvement Area 3 Rate and Method" and together the "Rates and Methods"). See "SECURITY FOR THE BONDS – Rates and Methods of Apportionment of Special Tax." *The Authority anticipates that the Developer, as owner of all of the property within Improvement Area 1 and Improvement Area 3, will petition the Authority for change proceedings to make certain changes to the Rates and Methods as described under "SECURITY FOR THE BONDS – Proposed Amendments to Rates and Methods of Apportionment," herein.* The Authority may issue additional series of bonds authorized by the District to develop the Improvement Areas therein. Bonds issued with respect to Improvement Area 1 (including the Bonds) will not exceed an aggregate principal amount of \$10,000,000, with respect to Improvement Area 2 will not exceed an aggregate principal amount of \$5,000,000, and with respect to Improvement Area 3 will not exceed an aggregate principal amount of \$2,000,000. Bonds issued with respect to any particular Improvement Area will be secured by a levy of special tax in such Improvement Area, together with a levy of special tax in any Improvement Area identified as a supplemental improvement area in the related bond indenture.

The District is located within the City of Fresno (the "City") in Fresno County, California. A regional map showing the location of the City appears herein under the caption "INTRODUCTION."

Specifically, the District is located near the natural course of Fancher Creek that runs generally from Clovis Avenue at Tulare Street to the North Armstrong Avenue Alignment at East Belmont.

The District, the first major mixed-use development of its kind in the Central Valley, has been designed using the “smart growth” initiatives found in the Landscape of Choice (Strategies for Improving patterns of Community Growth) which has been cited as the basis of the City of Fresno’s 2025 General Plan and is supported by the Roosevelt Community Plan and Fresno County Farm Bureau. This development amplifies the theme of “Live, Work and Play” by providing all the living, working, and shopping amenities desired by today’s families and businesses within its 1.5 square miles. Further, the Developer has focused on creating an environmentally friendly development, and to that end has come to an agreement with the Fresno Area Express to provide for emission reducing buses and bus rapid transit nodes that will be located within the development. The development in the District is expected to assist in improving air quality, reducing the number of average daily vehicular trips and subsequent traffic congestion resulting from traditional development.

There are three major commercial components that make-up the District, and combined contain approximately 195 gross acres. Approximately 99.74 acres within the District, comprised of Improvement Area 1 and Improvement Area 3, are subject to the lien of the Special Tax securing the Bonds. **Improvement Area 2 will not be subject to the lien of the Special Tax securing the Bonds.** A local area map showing the boundaries of the District and each Improvement Area also appears above under the caption “INTRODUCTION.” The property in the District is substantially undeveloped and vacant, with certain infrastructure improvements completed and installed.

The first commercial component of the District is the “Fancher Creek Business Park, designated Improvement Area 1. Zoned M-1, the Fancher Creek Business Park is located in a Federal Empowerment Zone, providing wage credits and tax incentives for businesses; the 77-acre, 43-lot Park will include over 1.1 million square feet of business, commercial, industrial, and retail flex-space, housed in concrete tilt-up, stick-frame, and multi-story steel frame buildings, including an enhanced lighting and landscaping plan. The infrastructure improvements have been designed and constructed to include fiber optic and broadband technology. The Fancher Creek Business Park’s location, adjacent to the Fowler Avenue on and off ramps of the new Freeway 180 extension, provides improved access to the greater Fresno area. In Improvement Area 1, the only property that has been developed consists of a 102,750 square foot built-to-suit distribution warehouse has been leased to Ferguson Enterprises, as further described in the Appraisal attached as Appendix B hereto (the “Ferguson Warehouse”). Ferguson Enterprises is a publicly traded wholesale distributor of plumbing supplies, pipe, valves and fittings, heating and cooling equipment, and other waterworks headquartered in Newport News, Virginia, and employs approximately 18,000 employees over 1,300 locations.

The second commercial component of Fancher Creek is the “Village at Fancher Creek,” designated Improvement Area 3. Zoned C-2, the Village at Fancher Creek is a 21.84-acre mixed-use commercial, retail, and residential center. At full build-out the Village at Fancher Creek is planned to include approximately 250,000 square feet of building improvements. Within the project area of the Village at Fancher Creek, the Developer sold a 1.49 acre pad to CVS Pharmacy. The pad sold to CVS Pharmacy is not within the boundaries of Improvement Area 3 and is not subject to the lien of the Special Tax.

The third is a 95-acre mixed-use regional commercial shopping center called the “Town Center,” designated Improvement Area 2. Zoned C-3, the Town Center is a mixed-use concept, designed to allow for approximately 970,000 square feet of commercial-retail, lifestyle, and restaurant space, 740-multifamily residential units, office and civic uses, as well as a plaza, lake, and recreation area. Improvement Area 2 will be not be subject to the lien of special tax for payment of the Bonds.

Immediately adjacent to the District, Pulte Homes & Bonadelle Homes have completed entitlement processing for construction of 1,000 single-family homes. To date, Pulte Homes has

completed construction on approximately 289 single-family homes. These projects are not within the District.

The entire development is tied together by one common natural thread, “Fancher Creek,” a unique natural riparian habitat that flows throughout southeast Fresno.

Development Entitlements

All phases of the Fancher Creek development (Town Center, Business Park, and Village Center) have been fully entitled through City of Fresno Rezone Application No. R-04-14 (City of Fresno Ordinance No. 2005-51, Bill No. B-49 dated 5/17/05), and Rezone Application No. R-05-50 (City of Fresno Ordinance No. 2005-138, Bill No. B-136 dated 11/15/05). Further, Resolution No. 2005-183 certifying the project Environmental Impact Report No. 10133 (State Clearinghouse No. 2004021071) was adopted by the City of Fresno on 5/17/05. Finally, on May 20, 2005 the City of Fresno filed its Notice of Determination E200510000201 in compliance with Section 21152 of the Public Resources Code pertaining to Rezone Application No. R-04-14, Conditional Use Permit No. C-04-79, Vesting Tentative Tract Map T-5232 (Centex Homes), Parcel Map 2004-36 (Business Park), and EIR No. 10133 prepared for the Fancher Creek Project. In addition to the above referenced entitlements, the Developer entered into a Development Agreement for Improvement Area 2 with the City of Fresno. The Improvement Area 2 Development Agreement was recorded on July 30, 2010 as Instrument No. 2010-0097084 of Official Records. The provisions of this Development Agreement constitute covenants which run with Subject Property, and the burdens and benefits hereof shall bind and inure to all successors in interest to the Parties.

Resource Agency Permits. No resource agency permits related to special status species and aquatic resources have been required. Improvement Area 1, Improvement Area 2, and Improvement Area 3 were studied as part of the project EIR No. 10133 (State Clearinghouse No. 2004021071), and met all CEQA requirements. Resolution No. 2005-183 certifying the Project EIR was adopted by the City of Fresno on May 17, 2005. The proposed project design and improvement is not likely to cause substantial and considerable damage to the natural environment, including fish, wildlife or their habitat, because all agricultural uses on the subject property have been discontinued and the site is located within an area, which has been substantially graded and prepped for development of urban uses. The subject property remains fallow without trees, vegetation, or irrigation to sustain and attract wildlife; or, provide a suitable habitat to species other than vermin.

Zoning. According to the City’s Planning Department, the underlying zoning for Improvement Area 1 is M-1/BA-15/UGM/cz. This zoning designation provides flexibility for a variety of manufacturing, retail, and fabrication uses. The City has approved a Vesting Tentative Parcel Map and a Final Parcel Map for Improvement Area 1 that is consistent with such zoning.

The underlying zoning for Improvement Area 3 is C-2/BA-15/UGM/cz. This zoning designation provides for use as a community shopping center. As described in the next section, the City has approved a Vesting Tentative Tract Map for Improvement Area 3.

Final Development Plan and Vesting Tentative Map. The City Council approved Vesting Tentative Parcel Map No. 2004-36 on March 5, 2005, relating to Improvement Area 1. Final Parcel Map 2004-36 and its corresponding Subdivision Agreement were approved by the City of Fresno and recorded on October 23, 2008. For Improvement Area 3, the City of Fresno approved Vesting Tentative Tract Map No. 5968 on July 26, 2011, with Tract Map No. 5968 recorded on August 12, 2011. Together, the above referenced entitlements provide the standards, terms, and conditions for development of the land within the Fancher Creek project, including uses, design standards, circulation, landscaping, utilities, and grading. The approved and certified entitlements are the result of negotiation and collaboration with the City of Fresno (including its staff, Parks & Recreation Commission, Planning Commission, City Council, Fresno Area Express (FAX), Police, and Fire Departments), Cal Trans, Fresno Metropolitan Flood

Control District (FMFCD), Fresno Irrigation District (FID), Bakman Water District, PG&E, neighborhood groups, and the public.

Environmental Impact Report

In May 2005, after statutorily required public notice, hearing and comment, the City Council certified as adequate and complete an Environmental Impact Report for the development of the land within the District. The findings adopted by the City in certifying the Environmental Impact Report identified specific economic, social and other benefits of the development of the land within the District that outweighed the unavoidable adverse effects, which were deemed acceptable. In March 2011, the City certified an Addendum to the Environmental Impact Report, EIR No. 10133, related to Improvement Area 3. To address certain of the environmental considerations and impacts, the City Council adopted mitigation measures, binding itself, the Developer and their successors and assigns to implement the mitigation measures identified therein. See “SPECIAL RISK FACTORS – Endangered and Threatened Species” and “– Hazardous Substances” herein.

All required permits from State and federal resource agencies related to the current plan for development of the land within Improvement Area 1 and Improvement Area 3 have been received.

Plan and Status of Development

The information in this section has been provided by the Developer. The Authority believes this information to be reliable, but can give no assurances that the District will be developed in the manner or within the time periods described in this section.

Pursuant to the Development Agreement and the Final Development Plan (each described herein), the Developer has completed work on the public improvements in Improvement Area 1 and the 43 finished lots. One lot in Improvement Area 1 has been developed and leased to a third party, and the remaining 42 lots are available for delivery and ready to be built to suit. Improvement Area 3 is currently undeveloped. The underground utilities, including sewer, storm and water, as well as street paving and asphalt are all completed for Improvement Area 1 and Improvement Area 3. The Developer submitted the infrastructure plan for Improvement Area 2 in fall 2012 and expects it to be approved by winter of 2013. After the infrastructure plan is approved the Developer will begin mass grading and installation of the underground utilities, such as the water, sewer, and storm hookups. Street paving and asphalt installation will begin as soon as the underground utilities are completed, with an estimated completion date for Improvement Area 2 in winter 2014. The following tables set forth the estimated completion dates of infrastructure improvements for each Improvement Area within the District.

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Improvement Area 1

Improvements	Estimated Commencement/ Completion Date
Plans, Utilities (Sewer, Water, Storm, Site), and Street Paving/Asphalt	Complete
Final Lot Delivery	Available Now
First Vertical Construction occurred in: (102,750 SF Build-to-Suit Distribution Warehouse completed for Ferguson Enterprises.)	2008

Improvement Area 3

Improvements	Estimated Commencement/ Completion Date
Plans, Utilities (Sewer, Water, Storm, Site), and Street Paving/Asphalt	Complete
Final Lot Delivery	Available Now
Minor Street Work (Construction of turn-pockets/drive approaches)	Project/Tenant Driven
First Vertical Construction	Project/Tenant Driven

Improvement Area 2

Improvements	Estimated Commencement/ Completion Date
Infrastructure Plan Submittal (Grading, Sewer, Water, Storm, Streets)	Fall 2012/Winter 2013
Grading	Spring 2013/Summer 2013
Underground Utilities (Sewer, Water, Storm, Site Utilities)	Summer 2013/Fall 2013
Street Paving and Asphalt	Fall 2013/Winter 2014

Developer's Plan of Finance

The information in this section has been provided by the Developer. The Authority believes this information to be reliable, but can give no assurances that the Project will be financed in the manner described in this section.

Private Sources of Funds. The Developer has financed the acquisition of the land within the District, entitlement processing, and the costs of the improvements made to the land to date with equity contributions totaling \$3,491,000 from the Developer and proceeds from loans in the amount of \$22,000,000 from Central Pacific Bank, a term loan in the amount of \$9,750,000 from Bank of America, and a revolving loan from Premier Valley Bank in the amount of \$4,750,000. The Central Pacific Bank loan allocable to Improvement Area 1 was scheduled to mature on December 31, 2012, however Central Pacific Bank has agreed to extend the maturity date for this loan to February 14, 2013. The Central Pacific Bank loan is currently secured by a deed of trust on certain property in Improvement Area 1 and Improvement Area 2. Central Pacific Bank has agreed to release its deed of trust on the property within Improvement Area 1 upon receipt of \$9,000,000 paid from a combination of the following: \$2,000,000 in additional private Developer equity, \$4,000,000 in proceeds generated from a new loan with Bank of the West, and \$3,000,000 from proceeds of the Bonds applied to reimburse the Developer for certain

Improvements. Upon such funding and simultaneously with the issuance of the Bonds, Central Pacific Bank will release its deed of trust with respect to the property within Improvement Area 1. The new Bank of the West loan will be secured by the property within Improvement Area 1 and is scheduled to mature on January 31, 2015.

The Central Pacific Bank loan allocable to Improvement Area 2 matures on May 1, 2013. The Bank of America term loan is secured solely by the Ferguson Warehouse, located in Improvement Area 1, represents permanent financing for that structure, and matures on February 1, 2019. The Premier Valley Bank loan is secured solely by the property within Improvement Area 3 and matures on June 24, 2013. The Developer is currently in negotiations with Premier Valley Bank to extend the term of its loan with respect to Improvement Area 3. Each loan is secured by corresponding deeds of trust, encumbering the various portions of the Developer's land in the District.

Pursuant to California law, the Special Tax has priority over all existing and future private liens imposed on property subject to the lien of the Special Tax. See "SECURITY FOR THE BONDS – Direct and Overlapping Debt." The Developer expects to use cash flow from the sale of lots and reimbursements it receives from the proceeds of the Additional Bonds, if any, to repay the remaining loans during the course of the development of the land within the District.

Bond Proceeds. A portion of the proceeds of the Bonds will be used to finance certain completed public infrastructure improvements and the payment of certain development impact fees required to mitigate the impacts of the development planned in the District. See "ESTIMATED SOURCES AND USES OF BOND PROCEEDS" and "THE DISTRICT- Public Infrastructure."

The Developer's actual or estimated sources and uses of funds for the original acquisition of the land within the District and the costs of improvements to the land are set forth in table on the following page.

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Table 1
California Statewide Communities Development Authority
Community Facilities District No. 2012-01
(Fancher Creek)
Developer’s Plan of Finance for Improvement Area 1 and Improvement Area 3⁽¹⁾

<u>Estimated Sources of Funds:</u>	<u>Estimated Amount</u>
Bond Proceeds ⁽¹⁾	\$ 3,014,132.54
Loans Proceeds ⁽²⁾	14,500,000.00
Developer’s Equity Contribution ⁽³⁾	5,985,867.46
Future Loan and/or Developer Equity (if needed) ⁽⁴⁾	<u>1,250,000.00</u>
Total Sources	\$ 24,750,000.00
<u>Estimated Uses of Funds:</u>	<u>Estimated Amount</u>
Authorized Improvements Improvement Area 1	\$4,372,000.00*
Authorized Development Impact Fees Improvement Area 1	434,000.00*
Authorized Improvements Improvement Area 3	360,500.00
Future Remaining Improvements Improvement Area 1 ⁽⁴⁾	1,250,000.00
Warehouse Construction Improvement Area 1 ⁽⁵⁾	9,750,000.00
Land Acquisition ⁽⁶⁾	4,389,500.00*
Unauthorized Improvements Improvement Area 3 ⁽⁷⁾	<u>4,194,000.00</u>
Total Uses	\$24,750,000.00

* Paid from Central Pacific Bank loan proceeds. As described herein, a portion of the proceeds of the sale of the Bonds, together with Developer equity and a loan to the Developer from Bank of the West, will be used to repay the remaining outstanding amount of the Central Pacific Bank loan. In the Preliminary Official Statement, loan proceeds from Central Pacific Bank were incorrectly counted twice in the sources and uses of funds.

(1) Net proceeds of bond issuance.

(2) Cumulative amount of loan proceeds relating to Improvement Area 1 and Improvement Area 3 (loan from Bank of America in the amount of \$9,750,000 secured by the Ferguson Warehouse in Improvement Area 1; loan from Premier Valley Bank in the amount of \$4,750,000 secured by property in Improvement Area 3).

(3) Additional Developer equity and new Bank of the West loan proceeds placed into escrow in connection with bond pricing.

(4) Estimated costs associated with construction of a City of Fresno water well, if required by the City for Improvement Area 1.

(5) Paid for and completed with loan proceeds received from Bank of America.

(6) Property acquired from loan proceeds.

(7) Various improvements made to the property that were non-public or not eligible for tax-exempt financing.

Source: The Developer.

If and to the extent the funding sources referenced above are not available to fund the remaining development costs when they are incurred, the Developer expects such costs would be funded with additional equity contributions from the Developer. ***The Developer is not obligated to make any additional contributions, however, and no assurance can be given that such contributions would be made to fund such costs.***

Public Infrastructure

The Developer must finance and construct the public infrastructure needed to serve the proposed development within the District, including, but not limited to, roads, bridges, traffic signals, sewer mains, water mains, water supply, storm drains, dry utilities, landscaping and other miscellaneous public facilities and appurtenances needed (collectively, the “Improvements”) and to pay certain development impact fees needed to mitigate the impacts that will result from the proposed development within the

District (the “Development Impact Fees”). All of the Improvements in Improvement Area 1 and Improvement Area 3 are complete other than a water well, which, if required by the City, will be constructed by the Developer and financed with either the Developer’s equity or an additional series of bonds. The net proceeds of the Bonds, certain investment earnings thereon and the Special Tax are expected to be sufficient to fund a portion, but not all, of the Improvements. If and to the extent the net proceeds of the Bonds, certain investment earnings thereon and the Special Tax are not available to fund the remaining development costs when they are incurred, the Developer expects such costs would be funded with additional equity contributions from the Developer. The Developer is not obligated to make any additional contributions, however, and no assurance can be given that such contributions would be made to fund such costs. See “THE DISTRICT- Developer’s Plan of Finance” and Table 1 – “Developer’s Plan of Finance” herein.

A failure to construct or delays in constructing certain of the Improvements could have an adverse effect on the development of the land within the District as planned and an adverse effect on property values within the District. No required Improvements have been delayed or are expected to be delayed in such a manner as to materially delay or impact the projected subdivision of lots and the sale and absorption thereof in the time and in the manner described herein.

Acquisition Agreement

In connection with the formation of the District and the issuance of the Bonds, the Developer, the Authority and the City have entered into an Acquisition Agreement (the “Acquisition Agreement”). Pursuant to the Acquisition Agreement, the City will purchase certain Improvements (the “Authorized Improvements”) from the Developer and fund or reimburse certain development fees (the “Authorized Development Impact Fees”), but solely from the net proceeds of the Bonds, certain investment earnings thereon and the Special Tax. When the Developer has completed an Authorized Improvement or when the Developer has paid an Authorized Development Impact Fee, it may submit an “Actual Cost Certificate” to the City Engineer requesting payment of its Actual Costs incurred (as defined in the Acquisition Agreement). The City Engineer will determine if the Authorized Improvement thereof has been completed to City standards and whether all required documentation, such as proper conveyance of title (where that is required), lien releases, title insurance, etc. has been submitted. If the City Engineer so determines, the City Engineer will review the Actual Cost Certificate, and may request additional information to substantiate the Certificate, and may disallow portions not properly substantiated. To the extent the Actual Cost Certificate is approved by the City Engineer, the City Engineer will submit a Disbursement Request Form to the Trustee, requesting the Trustee to make payment for the approved costs to the extent funds are available in the Acquisition and Construction Fund. See Appendix F – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – ACQUISITION AGREEMENT.”

Ownership of Property

The information in this section has been provided by the Developer. The Authority believes this information to be reliable, but can give no assurance that the events described in this section will occur, or that such events will occur in the manner described herein.

The Developer currently owns all of the taxable property within the District (the “Taxable Property”). See “THE DISTRICT – Plan and Status of Development.”

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

Neither the Authority nor any Bondholder will have the ability at any time to seek payment from the owners of property within the District of any Special Tax or any principal or interest due on the Bonds, or the ability to control who becomes a subsequent owner of any property within the District. The Authority’s only remedy for the failure of a landowner to pay Special Tax on a parcel of land within the District is to foreclose on such parcel. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” and “SPECIAL RISK FACTORS – Non-Recourse Obligation to Pay Special Tax” and “Special Tax Delinquencies.”

ESTIMATED SOURCES AND USES OF BOND PROCEEDS

The estimated sources and uses of funds with respect to the Bonds are set forth in the following table.

Table 2
California Statewide Communities Development Authority
Community Facilities District No. 2012-01
(Fancher Creek)

Estimated Sources and Uses of Bond Proceeds

<u>Sources:</u>	
Principal Amount of Bonds	\$4,200,000.00
Original Issue Discount	(28,479.50)
Deposit from Developer	<u>80,000.00</u>
Total Sources	<u>\$4,251,520.50</u>
 <u>Uses:</u>	
Deposit to Acquisition and Construction Fund	\$3,014,132.54
Deposit to Reserve Fund	396,308.96
Deposit to Redemption Fund ⁽¹⁾	370,360.00
Underwriter’s Discount	67,200.00
Reimbursement of Deposit to Developer	27,159.76
Costs of Issuance ⁽²⁾	<u>376,359.24</u>
Total Uses	<u>4,251,520.50</u>

⁽¹⁾ Represents capitalized interest on the Bonds through September 1, 2014.

⁽²⁾ Includes legal, disclosure, trustee, special tax consultant, appraiser, issuer, printing and other issuance fees and costs. The Developer will be reimbursed for costs advanced from its initial funding deposit.

SECURITY FOR THE BONDS

General

The Bonds are authorized pursuant to the Act and are issued under the Indenture pursuant to a resolution of the Authority. The Act was enacted by the California Legislature to provide an alternate method of financing certain essential public capital facilities and services, especially in developing areas of the State. Subject to approval by a two-thirds vote of qualified electors and compliance with the provisions of the Act, a legislative body of a city, county or joint exercise of power authority may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

THE PRINCIPAL OF AND INTEREST AND REDEMPTION PREMIUMS, IF ANY, ON THE BONDS ARE LIMITED OBLIGATIONS PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX. THE AUTHORITY IS NOT OBLIGATED TO PAY THE BONDS EXCEPT FROM THE PROCEEDS OF THE SPECIAL TAX. THE GENERAL FUNDS AND ASSETS OF THE AUTHORITY ARE NOT LIABLE AND THE FULL FAITH AND CREDIT OF THE AUTHORITY IS NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS. NO TAX OR ASSESSMENT OTHER THAN THE SPECIAL TAX SHALL EVER BE LEVIED OR COLLECTED TO PAY THE PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF OR CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THE PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE MONEY HELD IN THE SPECIAL TAX FUND PURSUANT TO THE INDENTURE. NEITHER THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS IS A GENERAL DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY.

To the extent necessary and in the manner set forth in the Improvement Area 1 Rate and Method, the Special Tax includes amounts levied in Improvement Area 3 until such Supplemental Improvement Area is released as described in the Indenture. See “SECURITY FOR THE BONDS – Supplemental Improvement Area.”

Although the Special Tax will constitute a lien on Taxable Property in Improvement Area 1 and the Supplemental Improvement Area, it will not constitute a personal indebtedness of the owners of such property. There is no assurance that the owners will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. The risk of nonpayment by property owners is more fully described in “SPECIAL RISK FACTORS – Non-Recourse Obligation to Pay Special Tax.”

The Authority expects that the Developer, as owner of all of the property in Improvement Area 1 and Improvement Area 3 will petition the Authority pursuant to the Act to amend the Rates and Methods as described more fully described in “– Proposed Amendments to Rates and Methods of Apportionment.”

The Special Tax

In accordance with the provisions of the Act and a Joint Community Facilities Agreement, between the Authority and the City, the Authority established the District on October 25, 2012 for the purpose of providing for the financing the acquisition of certain public facilities and payment of certain fees for the District, funding the Reserve Fund and the capitalized interest and paying certain costs of issuance of the Bonds. At an election conducted on October 25, 2012, the qualified electors within each improvement area of the District authorized the issuance of special tax bonds, not to exceed \$10,000,000 for Improvement Area 1, \$5,000,000 for Improvement Area 2 and \$2,000,000 for Improvement Area 3 principal amount, for the purpose of financing such public facilities and the levy of the Special Tax (as defined herein) in the District to be used for the purpose, among others, of paying the interest on and principal of and redemption premiums, if any, on such bonds.

Principal of and interest on the Bonds is payable from the annual Special Tax to be levied and collected on Taxable Property within Improvement Area 1, from supplemental Special Taxes levied in Improvement Area 3 to the extent necessary (as described below), and from the proceeds, if any, from the foreclosure and sale of such property for delinquency of such Special Tax.

The amount of Special Tax that the District may levy in any year is strictly limited by the maximum rates approved by the qualified electors within the District. The Special Tax, all funds and accounts established under the Indenture (other than the Acquisition and Construction Fund, the Prepayment Fund, Expense Fund and the Rebate Fund) and any interest earned thereon are pledged to the payment of and constitute a trust fund for the payment of principal and interest on the Bonds. So long as

the principal of and interest on the Bonds remains unpaid, the Special Tax, such funds and accounts, and investment earnings thereon shall not be used for any other purpose, except as permitted by the Indenture, and shall be held in trust for the benefit of the owners of any Bonds and shall be applied pursuant to the Indenture and any authorized supplement thereto.

Pursuant to the Indenture, so long as any Bonds are outstanding, the Authority is required annually to levy the Special Tax against all Taxable Property (as defined in Appendix C - "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX") in each improvement area of the District and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indenture, and which in any event will be sufficient to pay the interest on, principal (including Mandatory Sinking Account Payments, if any) and redemption premiums, if any, on all Outstanding Bonds as they become due and payable, and to pay all current Expenses for the Bonds as they become due and payable.

The Special Tax is to be levied and collected against all Taxable Property within Improvement Area 1 in accordance with the rate and method of apportionment for Improvement Area 1 approved at the election held on October 25, 2012 (the "Improvement Area 1 Rate and Method"). To the extent necessary and in the manner set forth in the Improvement Area 1 Rate and Method, the Special Tax includes amounts levied in Improvement Area 3 (the "Supplemental Improvement Area") until the Supplemental Improvement Area is released as described in the Indenture. See "SECURITY FOR THE BONDS – Supplemental Improvement Area." Copies of the rate and method of apportionment and manner of collection of the Special Tax for Improvement Area 1 and Improvement Area 3 (the "Improvement Area 3 Rate and Method" and together with the Improvement Area 1 Rate and Method, the "Rates and Methods") are summarized herein and attached as Appendix C.

Although the Special Tax will constitute a lien on Taxable Property in Improvement Area 1 and Improvement Area 3, it will not constitute a personal indebtedness of the owners of such property. There is no assurance that the owners will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. The risk of nonpayment by property owners is more fully described in "SPECIAL RISK FACTORS – Non-Recourse Obligation to Pay Special Tax."

Supplemental Improvement Area

Pursuant to the Improvement Area 1 Rate and Method, the Special Tax may be levied on any Supplemental Improvement Area, in the manner and the amounts described in Appendix C – "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX." "Supplemental Improvement Area" is defined in the Improvement Area 1 Rate and Method as any Other Improvement Area that has been designated as additional collateral for the bonds relating to Improvement Area 1 as authorized in the related indenture. **Prior to the expected amendment of the Rates and Methods, the Indenture designates Improvement Area 3 as a Supplemental Improvement Area; however, after such amendment, if and when it occurs, Improvement Area 3 will become permanently obligated to pay Special Taxes securing the Bonds and therefore will no longer be only a Supplemental Improvement Area.** See "– Proposed Amendments to Rates and Methods of Apportionment" below.

Although the Authority currently expects that Improvement Area 3 will no longer be only a Supplemental Improvement Area because the Rates and Methods will be amended, if such amendments do *not* occur, Improvement Area 3, as a Supplemental Improvement Area, may be released from the lien upon receipt of a request from an owner of property within the Supplemental Improvement Area and upon satisfaction of all of the following:

(a) No moneys are on deposit in any escrow fund to finance Future Facilities Cost, as such term is defined in the Improvement Area 1 Rate and Method;

(b) The balance in the Reserve Fund is equal to the Required Bond Reserve;

(c) Based on the then current development status of the Improvement Area, the Special Tax derived from Developed Property in the Improvement Area, increased by 2% per year for future Fiscal Year comparisons, generates revenues sufficient to provide 60% of the Debt Service for all Outstanding Bonds for all future Fiscal Years;

(d) The assessed value of all Undeveloped Property in the Improvement Area shown on the most recently equalized assessment roll of the County of Fresno is equal to or greater than 4.0 times the Lien Amount (as defined by the Indenture) secured by such Undeveloped Property, with the aggregate principal amount secured by such Undeveloped Property determined by taking the Special Tax derived from Undeveloped Property in the Improvement Area as a percentage of all Special Taxes derived from all Taxable Property in the Improvement Area, and multiplying that quotient times the aggregate principal amount for all Outstanding Bonds;

(e) The Special Tax delinquencies within the Improvement Area for the Fiscal Year of calculation and all prior Fiscal Years is less than 5% of the total Special Tax levy for such Fiscal Year and there are no then current or prior year tax delinquencies for parcels subject to the Special Tax in the Supplemental Improvement Area;

(f) Based on the then current development status of the Improvement Area, Special Tax derived from Developed Property in the Improvement Area plus the Maximum Special Taxes for all Undeveloped Property in the Improvement Area, increased by 2% per year for future Fiscal Year comparisons, generate revenues sufficient to provide 110% of the Debt Service for all Outstanding Bonds for all future Fiscal Years; and

(g) The assessed value of all Taxable Property as shown on the most recently equalized assessment roll of the County of Fresno is equal to or greater than 4.0 times the Lien Amount.

Lien Amount is defined in the Indenture to mean with respect to any parcel subject to the Special Tax, the sum of (A) the aggregate principal amount of the Bonds attributable to such parcel plus (B) the aggregate principal amount of bonds, notes or other evidences of indebtedness other than the Bonds then outstanding and payable from assessments or reassessments to be levied on such parcel, plus (C) a portion of the aggregate principal amount of bonds, notes or other evidences of indebtedness issued under the Law and payable at least partially from special taxes to be levied on the parcel (except to the extent such special taxes are made expressly subordinate to the special taxes securing Bonds) (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 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.

Rates and Methods of Apportionment of Special Tax

The Rates and Methods of Apportionment of Special Tax at the time of issuance of the Bonds are described below; however, the Developer and the Authority expect that the Rates and Methods of Apportionment of Special Taxes for Improvement Area 1 and Improvement Area 3 will be amended in early 2013 pursuant to change proceedings conducted by the Authority, as more particularly described under "– Proposed Amendments to Rates and Methods of Apportionment."

General. The Authority has covenanted to cause the levy of the Special Tax in an amount determined according to each rate and method of apportionment contained in the Authority's Resolution of Formation (No. 12R-16, adopted October 25, 2012), which was approved by the qualified electors of

the District. The Improvement Area 1 Rate and Method apportions the total amount of Special Tax to be collected among the Taxable Property in Improvement Area 1 as more particularly described herein. To the extent necessary and in the manner set forth in the Improvement Area 1 Rate and Method, the Special Tax includes amounts levied in Improvement Area 3 until such Supplemental Improvement Area is released as described under “–Supplemental Improvement Area” above. **Capitalized terms not otherwise defined under this heading shall have the meaning given such terms in Appendix C - “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX.”** Further, this description of the Rates and Methods is qualified in all respects by the full text thereof, set forth in Appendix C hereto.

Under the Improvement Area 1 Rate and Method, the Special Tax shall first be levied Proportionately on each Assessor’s Parcel of Developed Property in Improvement Area 1 at up to 100% of the applicable Maximum Special Tax. The Maximum Special Tax for Developed Property in Improvement Area 1 is \$7,193 per acre for Residential Property for Fiscal Year 2012-13. For Fiscal Year 2012-13, for Non-Residential Property, the Maximum Special Tax is the greater of \$0.48 per square foot of Non-Residential Building Square Footage, or \$7,193 per Acre, when applied, whichever is greater. If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Undeveloped Property within Improvement Area 1 until the amount levied on Undeveloped Property is equal to the lesser of (i) the Special Tax Requirement less the amount levied pursuant to the first step above, or (ii) 100% of the Maximum Special Tax for Undeveloped Property. The Maximum Special Tax for Undeveloped Property in Improvement Area 1 is \$8,179 per acre for Fiscal Year 2012-13. If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then a special tax shall be levied on each Assessor’s Parcel of taxable property located in the Supplemental Improvement Area, based on the rate and method of apportionment for such Supplemental Improvement Area (the “Improvement Area 3 Rate and Method”). Pursuant to the Indenture, Improvement Area 3 is designated a Supplemental Improvement Area. The Supplemental Improvement Area may be released from the lien of the special tax with respect to the Bonds under the conditions described above under “–Supplemental Improvement Area.”

Pursuant to the Improvement Area 3 Rate and Method, the Special Tax shall first be levied Proportionately on each Assessor’s Parcel of Developed Property in Improvement Area 3 at up to 100% of the applicable Maximum Special Tax. The Maximum Special Tax for Developed Property in Improvement Area 3 is \$4,530 per acre for Residential Property for Fiscal Year 2012-13. For Fiscal Year 2012-13, for Non-Residential Property, the Maximum Special Tax is the greater of \$0.33 per square foot of Non-Residential Building Square Footage, or \$4,530 per Acre, when applied, whichever is greater. If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Undeveloped Property within Improvement Area 3 until the amount levied on Undeveloped Property is equal to the lesser of (i) the Special Tax Requirement less the amount levied pursuant to the first step above, or (ii) 100% of the Maximum Special Tax for Undeveloped Property. The Maximum Special Tax for Undeveloped Property in Improvement Area 3 is \$5,148 per acre for Fiscal Year 2012-13.

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The following table shows the debt service coverage for the Bonds based on annual, maximum Special Tax prior to the proposed amendments to the Rates and Methods. See Table 4 for estimated debt service coverage after change proceedings are adopted as described under "SECURITY FOR THE BONDS – Proposed Amendments to Rates and Methods of Apportionment."

Table 3
California Statewide Communities Development Authority
Community Facilities District No. 2012-01
(Fancher Creek)

Annual Maximum Special Tax and Estimated Debt Service Coverage Prior to Proposed Amendments to Rates and Methods

Fiscal Year Ending June 30	Maximum Special Taxes on Improvement Area 1 ⁽¹⁾	Administrative Expenses	CSCDA Annual Fee	Available for Debt Service Improvement Area 1 ⁽²⁾	Debt Service from Area 1 ⁽³⁾	Debt Service Coverage from Improvement Area 1 ⁽³⁾	Maximum Special Taxes on Improvement Area 3 ⁽¹⁾	Debt Service Coverage from Improvement Area 1 and 3 ⁽³⁾
2013 ⁽³⁾	\$560,328	\$0	(\$10,500)	\$549,828	\$133,960	N/A	\$98,935	N/A
2014 ⁽³⁾	571,535	(25,000)	(10,500)	536,035	236,400	N/A	100,914	N/A
2015	582,965	(25,500)	(10,500)	546,965	241,400	226.58%	102,932	269.22%
2016	594,625	(26,010)	(10,500)	558,115	246,225	226.67	104,991	269.31
2017	606,517	(26,530)	(10,500)	569,487	250,875	227.00	107,091	269.69
2018	618,647	(27,061)	(10,500)	581,087	255,350	227.56	109,232	270.34
2019	631,020	(27,602)	(10,500)	592,918	259,650	228.35	111,417	271.26
2020	643,641	(28,154)	(10,500)	604,987	268,463	225.35	113,645	267.68
2021	656,514	(28,717)	(10,500)	617,296	271,800	227.11	115,918	269.76
2022	669,644	(29,291)	(10,500)	629,852	274,900	229.12	118,237	272.13
2023	683,037	(29,877)	(10,500)	642,659	282,763	227.28	120,601	269.93
2024	696,697	(30,475)	(10,500)	655,723	285,150	229.96	123,013	273.10
2025	710,631	(31,084)	(10,500)	669,047	291,730	229.34	125,474	272.35
2026	724,844	(31,706)	(10,500)	682,638	297,740	229.27	127,983	272.26
2027	739,341	(32,340)	(10,500)	696,501	303,180	229.73	130,543	272.79
2028	754,128	(32,987)	(10,500)	710,641	313,050	227.01	133,154	269.54
2029	769,210	(33,647)	(10,500)	725,064	317,065	228.68	135,817	271.52
2030	784,594	(34,320)	(10,500)	739,775	325,510	227.27	138,533	269.83
2031	800,286	(35,006)	(10,500)	754,780	328,100	230.05	141,304	273.11
2032	816,292	(35,706)	(10,500)	770,086	335,120	229.79	144,130	272.80
2033	832,618	(36,420)	(10,500)	785,698	341,285	230.22	147,013	273.29
2034	849,270	(37,149)	(10,500)	801,622	351,595	228.00	149,953	270.65
2035	866,256	(37,892)	(10,500)	817,864	355,765	229.89	152,952	272.88
2036	883,581	(38,649)	(10,500)	834,431	364,080	229.19	156,011	272.04
2037	901,252	(39,422)	(10,500)	851,330	371,255	229.31	159,131	272.17

Table 3
California Statewide Communities Development Authority
Community Facilities District No. 2012-01
(Fancher Creek)

Annual Maximum Special Tax and Estimated Debt Service Coverage Prior to Proposed Amendments to Rates and Methods

Fiscal Year Ending June 30	Maximum Special Taxes on Improvement Area 1⁽¹⁾	Administrative Expenses	CSCDA Annual Fee	Available for Debt Service from Improvement Area 1⁽²⁾	Debt Service	Debt Service Coverage from Improvement Area 1⁽³⁾	Maximum Special Taxes on Improvement Area 3⁽¹⁾	Debt Service Coverage from Improvement Area 1 and 3⁽³⁾
2038	\$919,277	\$(40,211)	(\$10,500)	\$868,567	\$377,290	230.21%	\$162,314	273.23%
2039	937,663	(41,015)	(10,500)	886,148	387,185	228.87	165,560	271.63
2040	956,416	(41,835)	(10,500)	904,081	395,655	228.50	168,871	271.18
2041	975,545	(42,672)	(10,500)	922,372	402,700	229.05	172,249	271.82
2042	995,056	(43,526)	(10,500)	941,030	408,320	230.46	175,694	273.49
2043	1,014,957	(44,396)	(10,500)	960,060	417,515	229.95	179,207	272.87

Source: David Taussig and Associates, Inc.

(1) Based on the levy of the Maximum Special Tax against all Developed Property assuming full development.

(2) Maximum Special Taxes less Administrative Expenses less CSCDA Annual Fee.

(3) Debt service in Fiscal Year 2013 and 2014 will be paid from capitalized interest.

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Proposed Amendments to Rates and Methods of Apportionment

The Developer has informed the Authority that it intends to petition the Authority for change proceedings to amend the Rates and Methods. The proposed amendments (1) increase fixed per acre maximum special tax on the Ferguson Warehouse property (APN 313-270-76), (2) lower fixed per acre maximum special tax on all of the parcels, other than the Ferguson Warehouse property, located in Improvement Area 1, (3) remove building square footage as a criterion for determining the Maximum Special Tax, and (4) eliminate building permit issuance as a qualifying factor for prepaying the Special Tax obligation with respect to any parcel, along with other changes. Under the proposed amendments to the rates and methods of apportionment, the Maximum Special Tax will be determined by the acreage of the Taxable Property and special tax can be fully or partially prepaid on all Taxable Property based solely on the amount of Acreage-based Maximum Special Tax assigned to that Parcel for the current Fiscal Year. Drafts of the proposed amendments to the Rates and Methods, marked to show the proposed amendments, are attached as Appendix D.

Pursuant to the Indenture, the Authority is authorized to implement such change proceedings to adopt amended rates and methods of apportionment for Improvement Area 1 and Improvement Area 3 in the form attached as Appendix D without consent of or notice to any holders of the Bonds.

As a result of the changes, should they be approved, to the Rates and Methods, Improvement Area 3 will no longer be a Supplemental Improvement Area subject to release upon the occurrence of certain conditions, but will instead be permanently subject to the lien of the Special Tax securing the Bonds. Because the relative amounts of Special Taxes levied against the Ferguson Warehouse property, the remainder of Improvement Area 1 and Improvement Area 3 will change once the proposed amendments are approved, the debt service coverage for the Bonds will change, as shown in the table on the following page.

Further, the proposed amendments, should they be approved, will affect the direct and overlapping debt calculations and estimated value-to-lien debt ratios for the properties in Improvement Area 1 and Improvement Area 3. See “Direct and Overlapping Debt” and “Estimated Value to Lien Debt Ratios” herein.

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Table 4
California Statewide Communities Development Authority
Community Facilities District No. 2012-01
(Fancher Creek)

Annual Maximum Special Tax and Estimated Debt Service Coverage After Proposed Amendments to Rates and Methods

Fiscal Year Ending June 30	Maximum Special Tax on Warehouse Property ⁽¹⁾	Maximum Special Tax on Other Property in Improvement Area I ⁽¹⁾	Maximum Special Tax on Improvement Area 3 ⁽¹⁾	Administrative Expenses	CSCDA Annual Fee	Available for Debt Service ⁽²⁾	Debt Service	Debt Service Coverage
2013 ⁽³⁾	\$151,961	\$78,315	\$98,935	\$0	(\$10,500)	\$318,711	\$133,960	N/A
2014 ⁽³⁾	155,000	79,881	100,914	(25,000)	(10,500)	300,296	236,400	N/A
2015	158,100	81,479	102,932	(25,500)	(10,500)	306,511	241,400	126.97%
2016	161,262	83,109	104,991	(26,010)	(10,500)	312,852	246,225	127.06
2017	164,488	84,771	107,091	(26,530)	(10,500)	319,319	250,875	127.28
2018	167,777	86,466	109,232	(27,061)	(10,500)	325,915	255,350	127.63
2019	171,133	88,195	111,417	(27,602)	(10,500)	332,643	259,650	128.11
2020	174,556	89,959	113,645	(28,154)	(10,500)	339,506	268,463	126.46
2021	178,047	91,759	115,918	(28,717)	(10,500)	346,506	271,800	127.49
2022	181,608	93,594	118,237	(29,291)	(10,500)	353,647	274,900	128.65
2023	185,240	95,466	120,601	(29,877)	(10,500)	360,929	282,763	127.64
2024	188,945	97,375	123,013	(30,475)	(10,500)	368,358	285,150	129.18
2025	192,723	99,322	125,474	(31,084)	(10,500)	375,935	291,730	128.86
2026	196,578	101,309	127,983	(31,706)	(10,500)	383,664	297,740	128.86
2027	200,509	103,335	130,543	(32,340)	(10,500)	391,547	303,180	129.15
2028	204,520	105,402	133,154	(32,987)	(10,500)	399,588	313,050	127.64
2029	208,610	107,510	135,817	(33,647)	(10,500)	407,790	317,065	128.61
2030	212,782	109,660	138,533	(34,320)	(10,500)	416,156	325,510	127.85
2031	217,038	111,853	141,304	(35,006)	(10,500)	424,689	328,100	129.44
2032	221,379	114,090	144,130	(35,706)	(10,500)	433,393	335,120	129.32
2033	225,806	116,372	147,013	(36,420)	(10,500)	442,270	341,285	129.59
2034	230,322	118,699	149,953	(37,149)	(10,500)	451,326	351,595	128.37
2035	234,929	121,073	152,952	(37,892)	(10,500)	460,562	355,765	129.46
2036	239,627	123,495	156,011	(38,649)	(10,500)	469,984	364,080	129.09

Table 4
California Statewide Communities Development Authority
Community Facilities District No. 2012-01
(Fancher Creek)

Annual Maximum Special Tax and Estimated Debt Service Coverage After Proposed Amendments to Rates and Methods

Fiscal Year Ending June 30	Maximum Special Tax on Warehouse Property ⁽¹⁾	Maximum Special Tax on Other Property in Improvement Area I ⁽¹⁾	Maximum Special Tax on Improvement Area 3 ⁽¹⁾	Administrative Expenses	CSCDA Annual Fee	Available for Debt Service ⁽²⁾	Debt Service	Debt Service Coverage
	2037	\$244,420	\$125,965	\$159,131	(\$39,422)	(\$10,500)	\$479,593	\$371,255
2038	249,308	128,484	162,314	(40,211)	(10,500)	489,395	377,290	129.71
2039	254,294	131,054	165,560	(41,015)	(10,500)	499,393	387,185	128.98
2040	259,380	133,675	168,871	(41,835)	(10,500)	509,591	395,655	128.80
2041	264,568	136,348	172,249	(42,672)	(10,500)	519,993	402,700	129.13
2042	269,859	139,075	175,694	(43,526)	(10,500)	530,603	408,320	129.95
2043	275,257	141,857	179,207	(44,396)	(10,500)	541,425	417,515	129.68

Source: David Taussig and Associates, Inc.

(1) Based on the levy of the Maximum Special Tax against all Developed Property assuming full development.

(2) Maximum Special Taxes less Administrative Expenses less CSCDA Annual Fees.

(3) Debt service in Fiscal Year 2013 and 2014 will be paid from capitalized interest.

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Authority Policy Regarding Assessments and Special Tax

On January 29, 2007, the Authority adopted its “Amended and Restated Local Goals and Policies Concerning the Use of the Mello-Roos Community Facilities Act of 1982” (the “Authority Policy”). The Authority Policy requires that the credit quality of any community facilities district bond issue be such that the requirements of Section 53345.8 of the Act will be met; provided, however, that the Authority requires that the value of the real property that would be subject to the special tax to pay debt service on the community facilities district bonds be at least four times the principal amount of the community facilities district bonds to be sold and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the community facilities district. The Authority expects to remain in full compliance with the Authority Policy after the issuance of the Bonds. See “SECURITY FOR THE BONDS – Estimated Value-to-Lien Debt Ratios.”

Funds and Accounts; Flow of Funds

All proceeds of the Special Tax (including any prepayments thereof and the proceeds from the sale of property collected pursuant to the foreclosure provisions of the Indenture for the delinquency of Special Tax and proceeds from any security for payment of Special Tax, taken in lieu of foreclosure, but excluding amounts held in the Rebate Fund), are required to be deposited into the Special Tax Fund held by the Trustee and, except as otherwise provided in the Indenture, are pledged to the payment of the Bonds.

Priority of Deposits. All prepayments of the Special Tax shall be immediately deposited by the Trustee in the Prepayment Fund. Where the Improvement Area 1 Rate and Method provides for use to pay for Authorized Facilities, those funds shall be immediately deposited by the Trustee in the Acquisition and Construction Fund. All other money in the Special Tax Fund shall be set aside by the Trustee in the following respective funds in the following order of priority, and all money in each fund shall be applied, used and withdrawn only for the purposes authorized in the Indenture, namely:

- (1) Redemption Fund;
- (2) Expense Fund;
- (3) Reserve Fund; and
- (4) Acquisition and Construction Fund.

Redemption Fund. At least five (5) Business Days prior to each March 1 and September 1, the Trustee shall, from the money in the Special Tax Fund, deposit into the Redemption Fund an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such dates, except no such transfer need be made to the extent amounts have previously been deposited in the Redemption Fund and set aside therein for the payment of such interest, including without limitation sale proceeds of Bonds deposited in such fund for such purpose. At least five (5) Business Days prior to September 1 of each year, commencing with the first September 1 on which principal is due on any of the Bonds, the Trustee shall, from the then remaining money in the Special Tax Fund, deposit into the Redemption Fund an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on such date plus the aggregate of the Mandatory Sinking Account Payments required by the Indenture and by all Supplemental Indentures to be made on such date into the Sinking Accounts.

Expense Fund. On or before March 1 and September 1 of each year, the Trustee is required, from the then remaining money in the Special Tax Fund, to transfer to and deposit in the Expense Account a sum equal to the amount required by the Authority for the payment of budgeted Administrative

Expenses during the six-month period commencing on such date, or to reimburse the Authority for payment of unbudgeted Administrative Expenses during the prior six-month period.

Reserve Fund. The Trustee shall establish and maintain the Reserve Fund into which shall be deposited an amount equal to the Required Bond Reserve. Moneys in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds in the event that the moneys in the Redemption Fund are insufficient therefor, and for that purpose the Trustee shall withdraw from the Reserve Fund, for deposit in the Redemption Fund, moneys necessary for such purpose. Amounts in the Reserve Fund shall only be withdrawn to pay principal and interest on the Bonds; provided, that if the amount on deposit in the Reserve Fund is less than the Required Bond Reserve, the Trustee shall notify the Authority of the amount needed to replenish the Reserve Fund to the Required Bond Reserve and the Authority shall collect the deficiency by including it in the next annual Special Tax levy, to the extent permitted by law and as necessary. The term Required Bond Reserve is defined under the Indenture as, for each Series of Bonds, as of any date of calculation, the least of (a) ten percent (10%) of the proceeds (within the meaning of Section 148 of the Code) of such Series of Bonds, or (b) the Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the Average Annual Debt Service, all as computed by the Authority under the Code and specified in writing by the Trustee, and means for all Outstanding Bonds, the sum of the Required Bond Reserve for each Series of Outstanding Bonds. On the delivery date, proceeds of the Bonds in the amount of \$396,308.96 will be deposited in the Reserve Fund, constituting the Required Bond Reserve for the Bonds.

The Trustee shall, on or before the first (1st) day in September in each year, from the then remaining money in the Special Tax Fund, deposit into the Reserve Fund the amount of money that is required to restore the Reserve Fund to an amount equal to the Required Bond Reserve.

The Trustee is responsible for valuation of all investments in the Reserve Fund. Such investments shall be valued at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the Trustee at his option, if so redeemable, or if not so redeemable, at the lesser of (i) the cost of such investments; or (ii) the market value of such investments and in making any valuations under the Indenture, the Trustee may use and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system; provided, that no deposit need be made into the Reserve Fund if the amount contained therein is at least equal to the Required Bond Reserve.

Acquisition and Construction Fund. All money remaining in the Special Tax Fund on September 1 of each year after making the foregoing transfers and deposits is required to be deposited by the Trustee into the Acquisition and Construction Fund. All moneys in the Acquisition and Construction Fund are required to be used by the Authority to construct or acquire Improvements for the benefit of the District, including the use by the Authority to reimburse the Developer for certain development impact fees. Any amount remaining in the Acquisition and Construction Fund after the completion of its purpose, which completion shall be conclusively evidenced by a Certificate of the City, shall be transferred by the Trustee to the Special Tax Fund.

Prepayment Fund. All money in the Prepayment Fund constituting proceeds of prepayments of the Special Tax shall be used to redeem the Bonds as provided in the Indenture.

Additional Bonds

In addition to the Bonds, the Authority may at any time issue a Series of bonds payable from the Special Tax on a parity with the Bonds (the "Additional Bonds"), but only subject to the conditions under the Indenture, which are thereby made conditions precedent to the issuance of such Series of Additional Bonds, which include the following:

(a) The issuance of such Series of Additional Bonds shall have been authorized pursuant to and in accordance with the terms of the Act and pursuant to the Indenture and shall have been provided for by a Supplemental Indenture in accordance with the Act and with the Indenture;

(b) The Authority shall be in compliance with all agreements, conditions, covenants and terms contained in the Indenture and in all Supplemental Indentures required to be observed or performed by it, and no default hereunder shall have occurred and shall be then continuing;

(c) The Special Tax revenue available to the Authority if the Special Tax were to be levied and collected at the maximum rate and amount in accordance with the Improvement Area 1 Rate and Method on all Taxable Property during each Fiscal Year that any Bonds and Additional Bonds of such Series will be Outstanding (excluding the estimated Special Tax from any Taxable Property then delinquent in the payment of any Special Tax) would produce a sum: (1) equal to at least one hundred ten percent (110%) of the annual Debt Service during the Bond Year which begins in such Fiscal Year; and (2) equal to at least one hundred percent (100%) of the annual Debt Service plus the estimated Administrative Expenses during each such Bond Year; all as shown by a certificate of an Independent Certified Public Accountant or nationally recognized, independent municipal finance consultant on file with the Trustee; and

(d) The aggregate Value-to-Lien Ratio of all Taxable Property (excluding any Taxable Property then delinquent in the payment of any Special Tax) shall be at least 4:1; and for the purposes of this paragraph of this provision, the term "Value" means either the current assessed valuation of a Taxable Property or the appraised value of a Taxable Property determined by an MAI appraiser, and the term "Value-to-Lien Ratio" means the ratio of the Value of all Taxable Property to the aggregate principal amount of all Bonds and Additional Bonds that will be Outstanding after the issuance of such Series of Additional Bonds plus the aggregate principal amount of all other assessment bonds and bonds issued under the Act reasonably allocable to Taxable Property; and

(e) Notwithstanding the limitations contained in the preceding paragraphs (c) and (d), nothing contained in the Indenture shall limit the issuance of any Series of Additional Bonds thereunder if after the issuance and delivery of such Series of Additional Bonds none of the Bonds and Additional Bonds theretofore issued under the Indenture will be Outstanding, and nothing contained in the Indenture shall limit the issuance of any Series of Additional Bonds under the Indenture if after the issuance and delivery of such Series of Additional Bonds the annual Debt Service on all Bonds and Additional Bonds to be Outstanding after the issuance of such Series of Additional Bonds in each Bond Year thereafter shall not be increased by reason of the issuance of such Series of Additional Bonds.

Covenant for Superior Court Foreclosure

The Indenture provides that the Special Tax is to be collected by the County of Fresno on the secured property tax roll. Except as provided in the special covenant for foreclosure described herein and in the Act, the Special Tax is subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax, the Authority may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Such judicial foreclosure action is not mandatory. However, the Authority has covenanted for the benefit of the Owners of the Bonds that it will annually on or before October 1 review the public records of the County of Fresno relating to the collection of the Special Tax collected in the prior Fiscal Year, and on the basis of such review the Authority shall, not later than December 1 of such year, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of any amount of such Special Tax in order to enforce the lien of all delinquent installments of the Special Tax, and will diligently prosecute and pursue the foreclosure

proceedings to judgment and sale; provided that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Act.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Bonds (if the Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the Authority of the proceeds of sale. However, within the limits of the Special Tax, the Authority may adjust the Special Tax levied on Taxable Property in Improvement Area 1 and Improvement Area 3, subject to the limitation on the Maximum Annual Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Reserve Fund to an amount equal to the Required Bond Reserve for the Bonds and to pay all current Administrative Expenses for the District. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against Taxable Property in the District will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the Maximum Annual Special Tax rates. See “SPECIAL RISK FACTORS.”

No assurance can be given that the real property subject to sale or foreclosure will be sold, or if sold, that the proceeds of sale will be sufficient to pay any delinquent installments of the Special Tax. The Act does not require the Authority to purchase or otherwise acquire any lot or parcel of property to be sold if there is no other purchaser at such sale. The Act and the Indenture do specify that the Special Tax will have the same lien priority as for *ad valorem* property taxes in the case of delinquency. Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post judgment interest and authorized costs, unless the consent of the owners of 75% of the Outstanding Bonds is obtained.

After the Authority has ordered a foreclosure action, it shall dismiss the action before judgment if the owner of the subject property (or any other person) pays all of the following amounts: the delinquent Special Tax on the subject property and all penalties, interests and costs accrued; costs of the foreclosure action; authorized attorneys fees; and the tax collector’s authorized costs.

Property Values

Peter S. Cooper Appraisals, Inc. (the “Appraiser”), has prepared appraisals of the Taxable Property within Improvement Area 1 and Improvement Area 3, each dated January 7, 2013, which estimate the value of the Taxable Property as of such date (the “Appraisals”). The Appraisals are attached to this Official Statement as Appendix B. The Appraisals estimate only the value of existing parcels in Improvement Area 1 and Improvement Area 3, respectively, which are to be subject to the lien of Special Tax on the County of Fresno’s 2013-14 assessment roll (collectively, the “Appraised Parcels”).

The Appraisals are based on a number of significant factors, general assumptions and limiting conditions. The assumptions and limiting conditions in each Appraisal are set forth below.

1. No survey was made of the property and the dimensions are those taken from the maps in the office of the County Assessor.
2. No report of title was secured for the subject property. As such, the property is presumed to be marketable and that any liens or encumbrances can be removed.
3. No separation of land and building values may be used for any other purpose than that delineated elsewhere in this report.
4. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the author, particularly as to the valuation conclusion, the identity of the appraiser or appraisers, or firm with which it is connected, or any reference to the American Institute of Real Estate Appraisers or to the MAI or RM designations.

5. No right to expert testimony is included with this report and the fee for this appraisal does not include payment for pre-trial conferences or taking of depositions.
6. No responsibility is assumed for matters legal in nature.
7. No survey or soil tests of the land have been made by the appraiser or appraisers.
8. Possession of this report or any copy thereof does not carry with it the right of publication, nor may the same be used for any purpose by anyone except the employer of the appraiser or appraisers, without the previous written consent of the appraiser or appraisers and, in any event, only in its entirety.
9. The information and data reported in this appraisal have been obtained from sources which are deemed to be reliable. They are believed to be correct, but cannot be guaranteed by the appraiser or appraisers. This condition applies generally throughout the appraisal report and specifically to square footage calculations and descriptions of comparable properties.
10. The appraiser or appraisers have no personal interest or bias with respect to the subject matter of this appraisal or the parties involved.
11. This appraisal report sets forth all of the limiting conditions (imposed by the terms of the assignment or by the appraiser or appraisers) affecting the analyses, opinions and conclusions contained in this report.
12. No one other than the appraiser or appraisers whose signature appears on the Certification page of this appraisal report prepared the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report.
13. The appraiser or appraisers have no expertise with respect to toxic wastes, hazardous materials or undesirable substances. Proper inspections of the property by qualified experts are an absolute necessity to determine whether or not there are any current or potential toxic wastes, hazardous materials or undesirable substances in or on the property. The appraiser or appraisers have not made, nor will make, any representations, either express or implied, regarding the existence or nonexistence of toxic wastes, hazardous materials or undesirable substances in or on the property. Problems involving toxic wastes, hazardous materials or undesirable substances can be extremely costly to correct. It is the responsibility of the client or recipient of this report to retain qualified experts to deal with the detection and correction of such matters.
14. This report and all matters contained herein were prepared for the sole and exclusive benefit of the client specified herein, and is intended for his use only. Neither all, nor any part of the contents of this report, or copy thereof, shall be used for any purpose by anyone but the client specified herein nor shall it be conveyed or disseminated by anyone to the public through advertising, public relations, news, sales or other media, without the express written consent and approval of the appraiser or appraisers. No one, except the client specified herein, may rely on this report for any purpose. Any person or entity who obtains or reads this report, or a copy thereof, other than the client specified herein, expressly assumes all risk of damages to himself or third persons arising out of reliance thereon or use thereof and waives the right to bring any action based on the appraisal, directly or indirectly, and the appraiser or appraisers shall have no liability to any such person or entity. In short, those who did not pay for this report cannot rely upon it.
15. The Americans with Disabilities Act (ADA) became effective January 26, 1992. A compliance survey and analysis of this property was not prepared to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that compliance survey of the property, together with a detailed analysis of the requirements of

the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser or appraisers have no direct evidence relating to this issue, the appraiser or appraisers did not consider possible noncompliance with the requirements of ADA in estimating the value of the property. Real estate brokers indicate that there has not been a pricing discount for properties that were out of compliance with the ADA requirements at this point in time. However, this could change depending on the property type and investment size, and the potential costs to bring a property in compliance.

16. The projections of income and expenses, including the reversion at time of resale used in any discounted cash flow analysis presented within the appraisal report, are not predictions of the future. Rather, they are the best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of the appraiser or appraisers to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future, and upon what assumptions of the future investment decisions are based.
17. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. Peter S. Cooper Real Estate Appraisals, Inc., and the undersigned are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
18. All prospective values presented in this report are based on estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

Using these assumptions, conditions and significant factors in the Appraisals, the Appraiser estimates that the hypothetical market value of the Appraised Parcels in Improvement Area 1 is estimated to be \$18,000,000 and in Improvement Area 3 is estimated to be \$11,420,000 as of the valuation date of the Appraisals. Again, the hypothetical market value estimated therein is based on the premise that the Improvements to be financed by the Bonds were in place as of the date of inspection. See "THE DISTRICT- Public Infrastructure" for a discussion of the current status of the Improvements, which have not been fully completed as of the date hereof. The assessed values as shown on the fiscal year 2011/12 equalized assessment roll for the property within Improvement Area 1 is \$6,936,908 and for the property within Improvement Area 3 is \$659,335. Assessed values do not necessarily reflect actual market values and generally are not adjusted to market values unless the property is sold or there is new construction activity on the property.

The complete Appraisals, including all attachments and addenda, are reproduced in Appendix B. The information contained herein is only a summary of certain information contained in the Appraisals, and such information is qualified in its entirety by the complete Appraisals. See “SPECIAL RISK FACTORS – Appraisals’ Risks.”

Direct and Overlapping Debt

The principal of and interest on the Bonds are payable from the Special Tax authorized to be collected within the District, and payment of the Special Tax is secured by a lien on Taxable Property within Improvement Area 1 and, until released pursuant to the terms of the Indenture, Improvement Area 3. See “SECURITY FOR THE BONDS – Supplemental Improvement Area.” Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Act, regardless of when they are imposed on the property in Improvement Area 1 and Improvement Area 3. The imposition of additional special taxes, assessments and general property taxes will increase the amount of independent and co-equal liens which must be satisfied in foreclosure. The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within Improvement Area 1 and Improvement Area 3. Further, private liens, such as deeds of trust securing loans obtained by the Developer, have been and may in the future be placed upon property in Improvement Area 1 and Improvement Area 3 at any time. Under California law, the Special Tax have priority over all existing and future private liens imposed on property subject to the lien of the Special Tax.

The following table sets forth the existing authorized indebtedness payable from taxes and assessments that may be levied on all Taxable Property within Improvement Area 1 and Improvement Area 3.

**Table 5
California Statewide Communities Development Authority
Community Facilities District No. 2012-01
(Fancher Creek)**

Direct and Overlapping Indebtedness Prior to Proposed Amendments to Rates and Methods

Overlapping Districts⁽¹⁾	2012-2013 Total Levy⁽²⁾	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding⁽³⁾	District Share of Total Debt Outstanding
Clovis Unified School District	\$26,566,766	\$32,567	0.1226%	\$174,326,178	\$213,695
State Center Community College District	\$4,157,247	\$1,482	0.0356%	\$107,450,000	\$38,296
				Total Overlapping Debt	\$251,991
				Plus: Series 2013A Bonds	\$4,200,000
				Estimated Share of Direct and Overlapping Debt Allocable to Improvement Area 1 and Improvement Area 3	\$4,451,991
				Appraised Value ⁽⁴⁾	\$29,420,000
				Estimated Appraised Value-to-Lien Ratio	6.61

Source: David Taussig and Associates, Inc.; County of Fresno Auditor/Controller's Office.

(1) Includes ad valorem, general obligation, special taxes, and standby charges that support any type of outstanding debt.

(2) Based on the FY 2012-13 levy estimated based on the assessed value of each respective district.

(3) Clovis Unified School District debt as of August 1, 2012. State Center Community College District debt as of March 1, 2012.

(4) Source: Peter S. Cooper Appraisals, Inc., January 7, 2013.

As described below under “–Estimated Value-to-Lien Ratios,” if the proposed amendments to the Rates and Methods were effective as of January 7, 2013, the appraised value of the property in Improvement Area 1 and Improvement Area 3 subject to the lien of the Special Tax would be \$29,520,000, which would result in an estimated appraised value-to-lien ratio for all direct and overlapping debt of 6.63.

Other than as described herein, the property in Improvement Area 1 and Improvement Area 3 is not subject to any other bonded special tax or assessment liens (other than the lien of the Special Tax).

There can be no assurance that the Developer, its affiliates or any subsequent owner will not petition for the formation of other community facilities districts or for a special assessment district or districts and that parity Special Tax or special assessments will not be levied by the City, the County or some other public agency to finance additional public facilities. Other than described as follows, no other special districts are currently contemplated by the Authority, the City or the Developer.

Estimated Value-to-Lien Debt Ratios

The appraised value of the property in Improvement Area 1 subject to the lien of the Special Tax, as estimated by the Appraiser as of January 7, 2013, subject to the methodology and assumptions contained in the Appraisals, is \$18,000,000. The appraised value of the property in Improvement Area 3 as estimated by the Appraiser as of January 7, 2013, subject to the methodology and assumptions contained in the Appraisals, is \$11,420,000. In combination, the total value for both Improvement Area Nos. 1 and 3 is \$29,420,000, leading to a combined value to lien of approximately 7.00 times the aggregate principal amount of the Bonds.

**Table 6
California Statewide Communities Development Authority
Community Facilities District No. 2012-01
(Fancher Creek)**

Value-to-Lien Calculations Prior to Proposed Amendments to Rates and Methods

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-01
(FANCHER CREEK)

Land Use Categories	Appraised Value⁽¹⁾	% of Total Appraised Value	Maximum Special Tax⁽²⁾	% of Maximum Special Tax	Principal Burden	Value-to-Lien Ratio
Developed Property in Improvement Area 1	\$8,100,000	27.53%	\$63,994	9.71%	\$407,687	19.87
Undeveloped Property in Improvement Area 1	9,900,000	33.65	496,334	75.29	3,162,021	3.13
Undeveloped Property in Improvement Area 3	11,420,000	38.82	98,935	15.01	630,291	18.12
Total	\$29,420,000	100.00%	\$659,263	100.00%	\$4,200,000	7.00

Source: Except as noted, David Taussig and Associates, Inc.

(1) Source: Peter S. Cooper Appraisals, Inc.

(2) Based on total net acreage present in Improvement Area 1 and Improvement Area 3.

Were the proposed amendments of the Rates and Methods effective as of November 29, 2012, subject to the methodology in the Appraisals, the Appraiser estimates the appraised value of the developed property in Improvement Area 1 subject to the lien of the Special Tax (consisting solely of the

Ferguson Warehouse) is \$7,100,000, the undeveloped property in Improvement Area 1 subject to the lien of the Special Tax is \$11,000,000, and the property in Improvement Area 3 subject to the lien of the Special Tax is \$11,420,000. For information regarding the proposed amendments, see “SECURITY FOR THE BONDS – Proposed Amendments to Rates and Methods of Apportionment.”

Table 7
California Statewide Communities Development Authority
Community Facilities District No. 2012-01
(Fancher Creek)
Value-to-Lien Calculations After Proposed Amendments to Rates and Methods*

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-01
(FANCHER CREEK)

Land Use Categories	Appraised Value ⁽¹⁾	% of Total Appraised Value	Maximum Special Tax ⁽²⁾	% of Maximum Special Tax	Principal Burden	Value-to-Lien Ratio
Developed Property in Improvement Area 1 (Ferguson Warehouse)	\$7,100,000	24.05%	\$151,961	46.16	\$1,938,684	3.66
Undeveloped Property in Improvement Area 1	11,000,000	37.26	78,315	23.79	999,124	11.01
Undeveloped Property in Improvement Area 3	11,420,000	38.69	98,935	30.05	1,262,192	9.05
Total	\$29,520,000	100.00%	\$329,211	100.00%	\$4,200,000	7.03

Source: Except as noted, David Taussig and Associates, Inc.

* Estimated, based on proposed amendments to Rate and Method of Apportionment. See “SECURITY FOR THE BONDS – Proposed Amendments to Rates and Methods of Apportionment.”

(1) Source: Peter S. Cooper Appraisals, Inc.

(2) Based on total net acreage present in Improvement Area 1 and Improvement Area 3.

No assurance can be given that the foregoing value-to-lien debt ratio will be maintained during the period of time that the Bonds are Outstanding. The Authority has no control over future property values or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, is on a parity with the Special Tax. See “SPECIAL RISK FACTORS – Appraisals’ Risks” and “– Value-to-Lien Debt Ratios.”

Other Potential Debt

The Authority has no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within the District which may be incurred in the future by other governmental agencies having jurisdiction over all or a portion of the property within the District. Furthermore, nothing prevents the owners of property within the District from consenting to the issuance of additional debt which would be secured by taxes or assessments on a parity with the Special Tax. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or *ad valorem* taxes, such assessments, special taxes and *ad valorem* taxes will be secured by liens on the property within the District on a parity with the lien of the Special Tax.

Accordingly, the debt on the property within the District could increase, without any corresponding increase in the value of the property therein, and thereby reduce the estimated Value-to-Lien debt ratio that exists at the time the Bonds are issued. The imposition of such additional indebtedness could also reduce the willingness and ability of the property owners within the District to

pay the Special Tax when due. See “SPECIAL RISK FACTORS – Parity Taxes and Special Assessments.”

SPECIAL RISK FACTORS

The following is a discussion of certain risk factors which should be considered, in addition to other matters described in this Official Statement, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more events discussed herein could adversely affect the value of the property in the District, or could adversely affect the ability or willingness of property owners in Improvement Area 1 or Improvement Area 3 to pay Special Tax when due. A failure to receive Special Tax could result in the inability of the Authority to pay debt service on the Bonds when due.

Insufficiency of Special Tax

Under the Improvement Area 1 Rate and Method, the annual amount of Special Tax to be levied on each parcel in the District is to be based on whether such parcel is publicly owned or otherwise exempt from Special Tax and, if not so exempt, whether such parcel is a Developed Parcel or an Undeveloped Parcel. See “SECURITY FOR THE BONDS – Rate and Method of Apportionment of Special Tax.” The Authority expects Taxable Property within the District to progress from Undeveloped Parcels to Developed Parcels. As such progression occurs, the ratio of value to bond debt of the Taxable Property is expected to increase, as is the landowner’s incentive to keep property taxes (including Special Tax) current. Currently, approximately 88.6% of the acreage in Improvement Area 1 and 100% of the acreage in Improvement Area 3 is classified as Undeveloped Parcels pursuant to the Rates and Methods. No assurance can be given with respect to continued progress in developing the District. Other factors may also affect a landowner’s willingness and ability to keep Special Tax current. See “SPECIAL RISK FACTORS – Failure to Develop,” herein, for a discussion of the risks associated with development of the land within the District.

Limited Obligation To Pay Bonds

Funds for the payment of the principal of and interest on the Bonds are derived from Special Tax levied against certain property in Improvement Area 1 and Improvement Area 3. The Special Tax collected could be insufficient to pay debt service on the Bonds due to delinquencies, non-payment or the failure to receive timely and sufficient proceeds from foreclosure proceedings. The Authority’s obligation with respect to delinquent Special Tax is limited to the institution of judicial foreclosure proceedings under the circumstances described in the Indenture. The Authority has no obligation to make any payment on the Bonds except from Special Tax revenues and the other sources pledged under, and subject to the limitations provided in, the Indenture. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure.”

Non-Recourse Obligation to Pay Special Tax

The obligation to pay Special Tax levied within Improvement Area 1 and Improvement Area 3 does not constitute a personal obligation of the current or subsequent owners of the property in such improvement area of the District. Enforcement of Special Tax payment obligations is limited to judicial foreclosure in the Fresno County Superior Court. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure.” If the proceeds of any foreclosure sale are insufficient to satisfy the applicable Special Tax lien, the Authority is not entitled to the deficiency from the landowner. There is no assurance that any current or subsequent owner of a parcel subject to Special Tax will be able to pay the Special Tax, or that such owner will choose to pay such installments even if otherwise able to do so.

The Developer is the current owner of all Taxable Property within the District. The Developer is a special purpose entity with limited assets other than property within the District and related assets. Although bondholders should not look to the assets or credit of the Developer as a source of payment for the Bonds, the Developer's ability to pay Special Tax and to develop the District is subject to the financial resources available to it. See "THE DISTRICT – Developer's Plan of Finance" for a description of the financial resources available to the Developer. The members of the Developer have no obligation to contribute additional capital to the Developer in the event of a shortfall of other resources, and the Authority can give no assurance that any such additional capital contributions will occur.

Special Tax Delinquencies

The Tax Collector of the County will include the Special Tax on the *ad valorem* property tax bills sent to owners of properties within the District. Such Special Tax installments will be due and payable and bear the same penalties and interest for non-payment as *ad valorem* property tax installments.

Significant delinquencies in the payment of annual Special Tax installments or delays in foreclosure proceedings to collect such Special Tax could result in the depletion of the Reserve Fund and adversely affect the ability to pay debt service on the Bonds when due. See "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure," for a discussion of the provisions that apply, and the procedures that the Authority is obligated to follow, under the Indenture in the event of delinquencies in the payment of Special Tax. See "SPECIAL RISK FACTORS – Payments by FDIC" and "– Bankruptcy" herein, for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and limitations on the Authority's ability to foreclose on the lien of the Special Tax in certain circumstances.

Failure to Develop

Land development operations are subject to comprehensive federal, State of California and local regulations. Various federal, state and local agencies have issued approvals within their jurisdictional authority required for the development and additional approvals may be required for certain elements of the development. See "THE DISTRICT- Environmental Impact Report" herein. If the Developer does not make any changes in the future to the project as approved, the only remaining required discretionary approvals for the development of the lots will be the City's design review approval.

Future governmental restrictions, including, but not limited to, governmental policies restricting or controlling development within the District, could be enacted, and future land use initiatives approved by the voters in the City could add more restrictions and requirements on development within the District. Moreover, there can be no assurance that the means and incentive to conduct land development operations within the District will not be adversely affected by a deterioration of the real estate market or economic conditions generally, future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, acts of war or terrorism, or other factors.

The Taxable Property in the District is currently undergoing active development. An Undeveloped Parcel is less valuable per acre than a Developed Parcel, and therefore provides less security to the Owners of the Bonds should it be necessary for the Authority to foreclose due to the nonpayment of the Special Tax. Furthermore, an inability to sell lots within the District as currently proposed would result in slower rates of diversification of property ownership within the District. Concentration of ownership increases the risk of a failure to collect sufficient Special Tax to pay debt service on the Bonds, all other things being equal. The timely payment of Special Tax levied on Undeveloped Parcels depends primarily upon the ability and willingness of owners of such property to pay such taxes when due. A slowdown in or cessation of the development of land within the District could reduce the ability and willingness of such owners to make Special Tax payments, and could greatly reduce the value of such

property in the event it has to be foreclosed upon to collect delinquent special taxes. See “SPECIAL RISK FACTORS – Bankruptcy” herein for a discussion of certain limitations on the ability of the District to pursue judicial foreclosure proceedings with respect to taxpayers with delinquent Special Tax.

Construction Risk

Further development of property within the District is conditioned upon the construction of certain public infrastructure, including water supply facilities, wastewater facilities, roadways and appurtenant facilities, bridges and others. See “THE DISTRICT- Public Infrastructure.” Such construction is subject to a number of risks, including, without limitation, inclement weather, shortages of or other supply problems relating to labor and materials, design or construction defects, delays in obtaining governmental or agency approvals and permits, compliance with existing permits and approvals and other risks. The realization of one or more of such risks could result in delays to or a failure to complete such required facilities, which could in turn result in delays to or a failure to develop the land within the District. See “THE DISTRICT- Environmental Impact Report” and “SPECIAL RISK FACTORS – Failure to Develop” herein.

Cost overruns for public infrastructure to be constructed by the Developer are generally the responsibility of the Developer. The ability to pay for such cost overruns and to complete the applicable construction project is dependent on the availability of funding sources to the Developer. No assurances can be given that the Developer will obtain any such funding in a manner timely enough to avoid delays to the development of the land within the District as described herein.

Concentration of Ownership and Risks Relating to Future Owners

Generally, the risk of delinquency or nonpayment of Special Tax at levels which do not permit the timely payment of principal of and interest on the Bonds is inversely correlated to the diversity of ownership of Taxable Property within Improvement Area 1 and Improvement Area 3. The Developer is currently the owner of all of the Taxable Property within the District. The sale of commercial lots will diversify ownership of real property within the District. See “THE DISTRICT – Plan and Status of Development” and “–Ownership of Property.”

The Developer intends to sell its lots as build-to-suit commercial parcels. No representation is made as to the experience, abilities or financial resources of any future owner of property in the District, or the likelihood that any such future owner will be successful in developing property within the District beyond the stage of development reached by the Developer. The Authority has not made any investigation of or imposed any restrictions on any prospective owner of property in the District.

Appraisals’ Risks

The Appraiser has estimated the hypothetical market value of the property in Improvement Area 1 and Improvement Area 3 on the basis of certain assumptions which the Appraiser believes to be reasonable under the circumstances. See the Appraisals included in Appendix B hereto. However, certain of the events assumed by the Appraiser have not yet occurred as of the date of this Official Statement or may prove to be untrue. In particular, the value estimates in the Appraisals are based on the assumption that all public infrastructure to be funded with proceeds of the Bonds have been completed and are fully operational. In fact, that has not yet occurred, although the sale and delivery of the Bonds would produce the funds expected to be required for such purpose. See “THE DISTRICT - The Public Infrastructure” for a description of the status of such improvements.

Although the Authority believes that the Appraiser’s methodology and assumptions are reasonable under the circumstances, the Appraiser’s hypothetical market value conclusions are expressions of professional opinion only. No assurance can be given that the market values of property in Improvement Area 1 or Improvement Area 3 are equal to or greater than the Appraiser’s estimated

hypothetical market value, nor can any assurance be given that such market values will not decline during the period of time the Bonds are Outstanding. The market values of the property in Improvement Area 1 and Improvement Area 3 can be adversely affected by a variety of factors, including, but not limited to, the occurrence of one or more of the special risk events discussed herein. A decline in the market value of a parcel in Improvement Area 1 or Improvement Area 3 could lower the ability or willingness of the owner of such parcel to pay Special Tax when due and would decrease the amount recoverable at a foreclosure sale of such parcel.

As noted in the Appraisals, the property within the District has been under the same ownership since 1999, other than the sale of a 1.49 acre pad to CVS Pharmacy in Improvement Area 3. The pad sold to CVS Pharmacy is not within the boundaries of Improvement Area 3 and is not subject to the lien of the Special Tax. The vacant parcels in Improvement Area 1 have been listed over the past five years and none of the individual sites have been sold. There can be no guarantee that the Developer will be able to sell the sites at the amounts estimated by the Appraiser.

See “SECURITY FOR THE BONDS – Property Values” for a further discussion of estimated property values in the District.

Bankruptcy

The payment of Special Tax and the ability of the Authority to foreclose the lien of a delinquent Special Tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure.

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

Although bankruptcy proceedings would not cause the Special Tax to become extinguished, the amount of any lien on property securing the payment of delinquent Special Tax could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Tax in excess of the reduced lien would then be treated as an unsecured claim by the court. Further, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such a delay could adversely affect the payment of the principal of, and interest on, the Bonds when due. The prosecution of foreclosure proceedings could also be delayed by other factors affecting the prosecution of lawsuits generally.

Disclosures to Future Purchasers

The Notice of Special Tax Lien will be recorded in the Office of the County Recorder pursuant to the Act. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective buyer or lender will consider such obligation for Special Tax in the purchase of a home or the lending of money thereon. Failure to disclose the existence of the Special Tax or the full amount of the pro rata share of debt on the land in the District may affect the willingness and ability of future owners of land within Improvement Area 1 and Improvement Area 3 to pay the Special Tax when due.

Billing of Special Tax

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn can lead to problems in the collection of the special tax. In some community facilities districts, taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by or on behalf of the District.

Under provisions of the Act, the Special Tax are to be billed to the properties within Improvement Area 1 and Improvement Area 3 which were entered on the assessment roll of the County Assessor by January 1 of the previous fiscal year on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as regular property tax installments. These Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Tax in the future. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the Authority is obligated to follow, in the event of delinquency in the payment of installments of Special Tax.

Endangered and Threatened Species

It is illegal to harm or disturb any plants or animals in their natural habitats that have been listed as endangered species by the United States Fish & Wildlife Service under the ESA or by the CDFG under the California Endangered Species Act without a permit. Thus, the presence of an endangered plant or animal could delay development of vacant property in the District or reduce the value of Taxable Property. Failure to develop the vacant property in the District as planned, or substantial delays in the completion of the planned development of the property may increase the amount of Special Tax to be paid by the owners of Taxable Property and affect the willingness and ability of the owners of the property within Improvement Area 1 or Improvement Area 3 to pay the Special Tax when due.

Pursuant to the EIR, the City Council concluded that development within the District is not likely to cause substantial and considerable damage to the natural environment, including fish, wildlife or their habitat, because all agricultural uses on the subject property have been discontinued and the site is located within an area that has been substantially graded and prepped for development of urban uses. The subject property remains fallow without trees, vegetation, or irrigation (except in landscaped areas) to sustain and attract wildlife; or, provide a suitable habitat to species other than vermin. Accordingly, the presence of any rare, endangered or sensitive species in the District is not expected to interfere with the proposed development in the District.

Natural Disasters

In the future, the District could be subject to earthquakes, fires, flooding, acts of terrorism or war, or other calamities or natural disasters. The occurrence of such a calamity or disaster in or around the District could result in damage to properties in the District or could otherwise reduce the value of such properties and affect the ability or willingness of the property owners in Improvement Area 1 or Improvement Area 3 to pay Special Tax when due.

Earthquake. There are several active geological faults in the State that have potential to cause serious earthquakes that could result in damage within the District. While the District is not located in any existing Alquist-Priolo special study zone delineated by the State Division of Mines and Geology as an area of known active faults, it is possible that new geological faults could be discovered in the area and that an earthquake occurring on such faults could result in damage of varying degrees of seriousness to property and infrastructure in the District.

Flooding. In 2009 the U.S. Army Corps of Engineers (the “Corps of Engineers”) released and the Federal Emergency Management Agency, which administers the federal government’s flood insurance programs, approved a revised floodplain map indicating that while portions of Fresno County are located within a 100-year floodplain (an area expected to be inundated during a flood event of the magnitude for which there is a 1% (or 1-in-100) probability of occurrence in any year), the City of Fresno is not. The floodplain maps are updated periodically and while the District is not currently located within a

floodplain, the Authority can make no representation that future maps will not be revised to include the District within the area deemed subject to flooding.

Hazardous Substances

The market value of the property in the District could decrease if a hazardous substance is discovered or released in the vicinity of the District. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. Should any of the parcels be affected by a hazardous substance, the value of such parcels could decline, because the purchaser, upon becoming the owner, will become obligated to remedy the condition.

The estimated value of the property within Improvement Area 1 and Improvement Area 3, as set forth in the Appraisals, assume there are no hazardous substances and that there is no liability to remedy a hazardous substance condition of the property. The Authority has made no independent investigation as to the environmental condition of the District and the Authority is not aware of the presence of any hazardous substance liabilities with respect to the District except as described herein. However, it is possible that such liabilities do currently exist and that the Authority is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the land within the District resulting from the present or future existence of a substance classified as a hazardous substance under the federal or State environmental laws. Any of these possibilities could adversely affect the value of a parcel and the willingness or ability of the owner of any parcel to pay the Special Tax when due.

Payments by FDIC

The ability of the Authority to collect the Special Tax and interest and penalties specified by state law, and to foreclose the lien of delinquent Special Tax, may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal governmental agencies has or obtains an interest. On June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Property Taxes. This was revised and superseded by a new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will neither pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes on property in which it has a fee interest, unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special Tax imposed under the Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. With respect to property in California owned by the FDIC on January 9, 1997 and that was owned by the Resolution Trust Corporation ("RTC") on December 31, 1995, or that became the property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC's prior practice of paying special taxes imposed pursuant to the Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other special taxes may be challenged by the FDIC.

Currently, the FDIC does not have an interest in any land within the District. The Authority is unable to predict what effect the FDIC's application of the Policy Statement would have in the event of a delinquency on a parcel within the District in which the FDIC obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that the Authority will be unable to foreclose on any parcel owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and could adversely affect the payment when due of debt service on the Bonds.

Parity Taxes and Special Assessments

The Special Tax constitute a lien against the parcels of land on which they have been levied. Such lien is on a parity with all special taxes levied by the Authority or other agencies and is co-equal to and independent of the lien for general property taxes, regardless of when they are imposed upon the same property.

The Authority does not have control over the ability of other entities to issue indebtedness secured by *ad valorem* taxes, special taxes or assessments payable from all or a portion of the property within the District. In addition, the owners of property within the District may, without the consent or knowledge of the Authority, petition other public agencies to issue public indebtedness secured by *ad valorem* taxes, special taxes or assessments. Any such special taxes may have a lien on such property on a parity with the lien of the Special Tax. See "SECURITY FOR THE BONDS – Other Potential Debt."

Value-to-Lien Debt Ratios

The estimated value-to-lien debt ratios set forth herein under the caption "SECURITY FOR THE BONDS – Estimated Value-to-Lien Debt Ratios" are based on the appraised values of property in Improvement Area 1 and Improvement Area 3 as of January 7, 2013. No assurance can be given that such value-to-lien debt ratios will be maintained over time. As discussed herein, many factors which are beyond the control of the Authority could adversely affect the property values within the District. The Authority also has no control over the amount of additional indebtedness that may be issued by other public agencies, the payment of which, through the levy of a tax or an assessment, is on a parity with the Special Tax. See "SPECIAL RISK FACTORS – Parity Taxes and Special Assessments" and "SECURITY FOR THE BONDS – Other Potential Debt." A decrease in the property values in Improvement Area 1 or Improvement Area 3, or an increase in bond debt liens on property in such improvement areas, or both, could result in a lowering of the value-to-lien debt ratios of the property in Improvement Area 1 and Improvement Area 3.

Limitations on Remedies

The Indenture does not permit the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture. Generally, remedies are limited to legal actions to compel the Authority to perform under the Bonds and the Indenture, to enjoin acts which are

unlawful or violate the rights of the Holders, or to account as the trustee of an express trust. See Appendix F – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – INDENTURE- Remedies of Holders.” Remedies available to the Owners may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or others similar laws affecting generally the enforcement of creditor’s rights, by equitable principles, by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California.

Right to Vote on Taxes Act

Article XIIC and Article XIID to the California Constitution, enacted in 1996, limit the authority of local governments to impose taxes and property-related assessments, fees and charges. Many provisions of Articles XIIC and XIID have not yet been interpreted by the courts, although a number of lawsuits have been filed requesting the courts to interpret various aspects thereof.

Among other things, Section 3 of Article XIIC states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure, which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. Although the matter is not free from doubt, it is likely that the exercise by the voters of the initiative power referred to in Article XIIC to reduce or terminate a Special Tax is subject to the same restrictions as are applicable to the Authority pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Articles XIIC and XIID have not conferred on the voters the power to repeal or reduce the Special Tax if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters to reduce the Special Tax in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Tax that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the levy of Special Tax for administrative expenses. Furthermore, no assurance can be given with respect to the future levy of the Special Tax in amounts greater than the amount necessary for the timely retirement of the Bonds.

The interpretation and application of Articles XIIC and XIID 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 certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “SPECIAL RISK FACTORS – Limitations on Remedies.”

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of acts or omissions of the Authority in violation of the Code. Should such an event occur, the Bonds are not subject to redemption and will remain Outstanding until maturity or until redeemed under the optional redemption or mandatory sinking fund redemption provisions of the Indenture.

THE AUTHORITY

The Authority is a joint powers agency organized pursuant to a Joint Exercise of Powers Agreement among a number of California counties, cities and special districts entered into pursuant to the provisions relating to the joint exercise of powers contained in Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code. The Authority is authorized to establish community facilities districts and issue the Bonds under the Act.

LITIGATION

To the knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Authority seeking to restrain or enjoin the sale or issuance of the Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, the validity or enforceability of the documents executed by the Authority in connection with the Bonds, the completeness or accuracy of the Official Statement or the existence or powers of the Authority relating to the sale of the Bonds.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of the Owners of the Bonds pursuant to a continuing disclosure certificate (“the “Authority Continuing Disclosure Certificate”) to provide, each year for so long as the Bonds are Outstanding, certain financial information and operating data relating to the Bonds, the District, ownership of the property in the District that is subject to the Special Tax, the occurrence of delinquencies in payment of the Special Tax, and the status of foreclosure proceedings, if any, respecting Special Tax delinquencies (the “District Disclosure Report”), and to provide notices of the occurrence of certain enumerated events, if material. The financial information and operating data will be provided annually on or before March 31 for the twelve months ended on the preceding June 30, commencing March 31, 2013. A form of the Authority’s undertaking is included in Appendix G – “FORMS OF CONTINUING DISCLOSURE CERTIFICATES.” The District Disclosure Reports are to be filed by the Authority with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“Emma”). These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Authority has not, in the past five years, failed to comply under any prior agreement entered into pursuant Rule 15c2-12 to provide annual reports or notices of material events.

Pursuant to a continuing disclosure certificate (the “Developer Continuing Disclosure Certificate and, together with the Authority Continuing Disclosure Certificate, the “Continuing Disclosure Certificates”), the Developer has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the Developer, its development plan and its financing plan (the “Developer Disclosure Report”), and to provide notices of the occurrence of certain enumerated events, if material, until the Property is developed to the planned development stage or until the Developer’s obligation to so provide such information, data and notices is otherwise terminated in accordance with the provisions of the Developer Continuing Disclosure Certificate. A form of the Developer Continuing Disclosure Certificate is included in Appendix G - “FORMS OF CONTINUING DISCLOSURE CERTIFICATES.” Such information is to be provided or caused to be provided by the Developer semi-annually not later than September 30 and March 31 of each year, commencing March 31, 2013. The Developer Disclosure Reports are to be filed by the Developer with EMMA. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Developer has not, in the past five years, failed to comply under any prior agreement entered into pursuant Rule 15c2-12 to provide periodic continuing disclosure reports or notices of material events.

LEGAL OPINIONS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority (“Bond Counsel”). Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement and expresses no opinion as to the matters set forth herein. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E hereto.

Payment of the fees and expenses of Bond Counsel are contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel may represent the Underwriter on matters unrelated to the Bonds.

Certain legal matters will be passed upon for the Underwriter by Lofton & Jennings, San Francisco. Orrick, Herrington & Sutcliffe is also acting as Disclosure Counsel to the Authority.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, 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. Bond Counsel is of the further opinion that 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 such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of 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 Beneficial 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. Beneficial 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 Beneficial owners 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 a Beneficial owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial owner. Beneficial 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 income tax purposes of interest on obligations such as the Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial owner or the Beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the Beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority or the Beneficial owners to incur significant expense.

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APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF FRESNO AND VICINITY

The following information was obtained from sources the Authority believes to be reliable, but the Authority gives no assurances as to its accuracy or completeness. The City of Fresno has not reviewed or approved this Official Statement and the Authority makes no representation as to the finances of the City or the general economic conditions within the City or surrounding region.

The California Statewide Communities Development Authority Community Facilities District No. 2012-01 (Fancher Creek) (the “District”) is located within the City of Fresno (the “City”). The City of Fresno (the “City”) is the county seat of Fresno County and is the economic and cultural hub of the fertile Central San Joaquin Valley, a metropolitan region with more than 500,121 residents in the City and over 930,450 in Fresno County. As of 2011, the population of the City has made it the fifth largest city in California, the largest inland city in California, and the 36th largest city in the nation. The City is located in the center of the wide San Joaquin Valley of Central California, approximately 200 miles north of Los Angeles and 170 miles south of Sacramento. The City was incorporated as a city in 1885. The following financial and economic data for the City and the County are presented for information purposes only. The principal of and interest and redemption premiums, if any, on the California Statewide Communities Development Authority Community Facilities District No. 2012-01 (Fancher Creek), Special Tax Bonds, Series 2013A (the “Bonds”) are limited obligations payable solely from the proceeds of the Special Tax. The Authority is not obligated to pay the Bonds except from the proceeds of the Special Tax. The general funds and assets of the Authority are not liable and the full faith and credit of the Authority is not pledged for the payment of the principal of or interest or redemption premiums, if any, on the Bonds. No tax or assessment other than the Special Tax shall ever be levied or collected to pay the principal of or interest or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any of the property of the Authority or any of its income or receipts except the money held in the Special Tax Fund pursuant to the Indenture. Neither the payment of the principal of or the interest or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the Authority.

Demographic Information

Table A sets forth demographic information for the City for the last five years.

TABLE A
CITY OF FRESNO
Demographic Statistics
2008-2012

As of January 1	City Population
2008	477,499
2009	487,353
2010	494,053
2011	497,561
2012	505,009

Source: State of California, Department of Finance.

Table B sets forth the 2010 Census age distribution of the City's residents.

**TABLE B
CITY OF FRESNO
Demographic Statistics, 2010
Age Distribution**

<u>Age</u>	<u>Population</u>
Under 18	148,832
20 to 24	43,925
25 to 34	75,463
35 to 49	89,416
50 to 64	72,261
65 and older	46,101
Total	<u>475,998</u>

Source: U. S. Census Bureau, Census 2010.

Employment

Table C sets forth the annual employment statistics in the nation.

TABLE C*
UNITED STATES
Labor Force, 2007-2011
(numbers in '000s)

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employed Labor Force</u>	<u>Unemployed Labor Force</u>	<u>Unemployment Rate</u>
2007	153,124	146,047	7,078	4.6
2008	154,287	145,362	8,924	5.8
2009	154,142	139,877	14,265	9.3
2010	153,889	139,064	14,825	9.6
2011	153,617	139,869	13,747	8.9

Source: U.S. Department of Labor, Bureau of Labor Statistics.

* In the Preliminary Official Statement, this table was incorrectly identified as statistics for the City of Fresno.

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An unemployment rate history, including the City, is set forth in Table D.

TABLE D
CITY OF FRESNO
Comparative Unemployment Statistics
Unemployment Rate (%)
Annual Averages

<u>Year</u>	<u>City of Fresno</u>	<u>Fresno County</u>	<u>State of California</u>
2007	8.0	8.6	5.4
2008	9.8	10.5	7.2
2009	14.1	15.0	11.3
2010	15.8	16.8	12.4
2011	15.6	16.5	11.7

Source: California Employment Development Department, Labor Market Information Division and the U.S. Department of Labor, Bureau of Labor Statistics.

Table E sets forth the income levels for the City.

TABLE E
CITY OF FRESNO
Demographic Statistics
Income Levels

<u>Income Level</u>	<u>Amount</u>
Median Household Income	\$43,124
Mean Family Earnings	\$64,941
Per Capita Income	\$19,709

Source: U. S. Census Bureau, Census 2010.

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Building Activity

Table F summarizes the building activity for the years 2007 through 2011 in the County.

**TABLE F
FRESNO COUNTY
Property Value and Construction
Last Five Years**

Year	Construction Activity Valuation	
	Residential (single family and multi-family units)	Number of Residential Permits (single family and multi-family units)
2007	725,928,287	4,855
2008	401,957,069	2,560
2009	364,606,722	2,228
2010	398,560,019	2,248
2011	\$278,260,322	1,622

Source: U.S. Census Bureau, Census 2010.

Education

Table G summarizes the educational attainment of the City's residents.

**TABLE G
CITY OF FRESNO
Demographic Statistics
Educational Attainment**

Level of Education	Number
Elementary-High School	38,445
High School Graduate	64,997
Associate Degree/Some College	84,910
Bachelor Degree	38,721
Graduate Degree	18,254
Total	245,327

Source: U. S. Census Bureau, Census 2010.

APPENDIX B

APPRAISALS

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SELF-CONTAINED APPRAISAL REPORT

VALUATION OF

42 Finished Office/Industrial Lots and the
Ferguson Enterprises Warehouse/Distribution Building
Within the Fancher Creek Business Park
Fresno, California 93727

PREPARED FOR

Mr. James Hamill, Program Manager
California Statewide Communities
Development Authority
2033 North Main Street, Suite 700
Walnut Creek, California 94596

PREPARED BY

Peter S. Cooper, MAI
1255 West Shaw Avenue, Suite 102
Fresno, California 93711

EFFECTIVE DATE OF VALUATION

January 7, 2013

DATE OF APPRAISAL REPORT

January 7, 2013

Peter S. Cooper, MAI

Real Estate Appraiser and Consultant
1255 West Shaw Avenue, Suite 102
Fresno, California 93711
(559) 226-5025 FAX (559) 226-4523

E-mail: cooper.appraisals@sbcglobal.net

January 7, 2013

Mr. James Hamill, Program Manager
California Statewide Communities Development Authority
2033 North Main Street, Suite 700
Walnut Creek, California 94596

RE: “As Is” Market Values & Bulk Sale Value
42 Finished Office/Industrial Lots and the
Ferguson Enterprises Warehouse/Distribution Building
Within the Fancher Creek Business Park
Fresno, California 93727

Dear Mr. Hamill:

In response to your recent request, I have conducted the required investigation, gathered the necessary data, and made certain analyses that have enabled me to form an opinion of the market value of the fee simple and leased fee interests in the above captioned properties.

Based on the inspection of the property and the investigation and analyses undertaken, I have formed the opinion that, as of the effective date of the appraisal, January 7, 2013, and subject to the assumptions and limiting conditions set forth in this Self-Contained Appraisal Report, the subject parcels have the following valuation scenarios:

“AS IS” MARKET VALUES AND “AS IS” BULK SALE VALUE:

Section I - Fancher Creek Business Park - 42 Finished Office/Industrial Lots:

“As Is” Bulk Sale Value as of January 7, 2013 (Fee Simple Interest): = **\$11,000,000**

Section II - The Ferguson Enterprises Warehouse/Distribution Building:

“As Is” Market Value as of January 7, 2013 (Leased Fee Interest): = **\$7,100,000**

**Section III - Fancher Creek Business Park - 42 Finished Lots & the
Ferguson Enterprises Warehouse/Distribution Building:**

**Total Bulk Sale Value of the 42 Finished Lots - Fancher Creek Business Park
and the Ferguson Enterprises Warehouse/Distribution Building
as of January 7, 2013 (Fee Simple and Leased Fee Interests):** = **\$18,100,000**

The aforementioned values are subject to the value definitions, assumptions and limiting conditions set forth in this report.

This appraisal has been prepared in accordance with the current economic definition of market value as set forth in the fifth edition of *The Dictionary of Real Estate Appraisal*, Appraisal Institute, 2010, page 122-123.

"The most probable price which a property should bring in 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:

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

This appraisal report conforms to the following appraisal standards:

1. Uniform Standards of Professional Practice (USPAP) adopted by the Appraisals Standards Board of the Appraisal Foundation and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
2. The Appraisal Standards for Land-Secured Financing published by the California Debt and Investment Advisory Commission, dated May 1994 and revised July 2004.

The undersigned appraiser hereby certifies that he has no present or future intended interest in the subject property, that neither the fee nor employment of this assignment was contingent upon the value reported herein, and that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

This letter must remain attached to the report, which contains 99 numbered pages plus related exhibits and Addenda, in order for the value opinions contained herein to be considered valid. The right to photocopy all or part of this appraisal is strictly prohibited, unless prior arrangements have been made with Peter S. Cooper Appraisals Inc.

Thank you for the opportunity of serving you. If you have any questions, please feel free to call.

Sincerely,



Peter S. Cooper, MAI
CA Cert No. AG007287

PSC/rs

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

CLIENT: California Statewide Communities Development Authority

APPRAISAL TYPE: Self-Contained Appraisal Report

PROPERTY NAME: Fancher Creek Business Park

LOCATION: SEC Fowler & Belmont Avenues
NWC Belmont & Armstrong Avenues, Fresno, CA

DATE OF INSPECTION: September 19, 2012

EFFECTIVE DATE OF VALUE: January 7, 2013

DATE OF APPRAISAL REPORT: January 7, 2013

TYPE OF PROPERTY: Finished Industrial Lots & Warehouse/Distribution Bldg.

PROPERTY RIGHTS APPRAISED: Fee Simple and Leased Fee Interests

ASSESSOR'S PARCEL NUMBERS:

Fancher Creek Business Park - 42 Lots:
SEC Fowler & Belmont Aves. 313-270-57 to 75 and 77 to 85
NWC Belmont & Armstrong Aves. 310-132-01 to 08 and 310-133-01 to 06

Ferguson Whse/Dist Building:
704 N. Laverne Avenue 313-270-76

THOMAS BROS. MAP CODE: 1304 B5/C4/C5

CENSUS TRACT: 14.03 & 58.03

SITE SIZE:

Fancher Creek Business Park - 42 Lots: The business park is divided into two sections that have been subdivided into 43 lots. The subject of this appraisal is only 42 lots. The total size of the 42 lots is 69.0 net acres with an average lot size of 71,543 square feet or 1.64 acres. The lots range in size from the smallest at 0.39 acres to 2.49 acres.

Ferguson Whse/Dist Building – Parcel T: The Ferguson site is an irregular-shaped parcel that contains 8.90± acres or 387,543 square feet of land area.

ZONING:

M-1/BA-15/UGM

HIGHEST AND BEST USE:

Fancher Creek Business Park - 42 Lots:

It is the appraiser's opinion that if the subject site was vacant, unimproved land that the highest and best use would be for its future development to a light industrial park similar to the one that has been constructed. However, due to the weak economy, the lack of financing for "spec" building projects, and the reduced demand by businesses for new commercial, office and industrial space reduces the need to convert industrial zoned raw land into finished lots at this time. However, since the Fancher Creek Business Park has been completed and offers 42 lots available for sale, the investment in the infrastructure has been made and the highest and best use will be for the continued marketing of the project to owner/users and "spec" builders.

Ferguson Whse/Dist Building:

As If Vacant: The highest and best use of the site as if vacant would be for its development to a warehouse/distribution facility on a build-to-suit basis or for an owner user. A spec-for-lease building would also be feasible only if a substantial amount of the building (65% to 75%) was pre-leased.

As Improved: The subject site is developed with a 102,847 square foot, concrete tilt-up, warehouse/distribution building that has been leased to an international credit rated company for a term of 10 years. The improvements meet the test of legal permissibility and the test of physical possibility. The improvements are considered financially feasible since the economic value is in excess of the cost to develop the project before a developer's profit is considered. The improvements as completed are considered to generate the greatest return to the site.

ON- & OFF-SITE IMPROVEMENTS:

Fancher Creek Business Park - 42 Lots:

The subject property is a manufactured business park with off-sites consisting of asphalt paved, interior streets; and concrete curb, gutter, and sidewalk, and street lighting. All utilities are underground and available to serve the individual lots.

All of the sites with the exception of Lot T are vacant sites ready to receive building improvements. Lot T is developed with a concrete tilt-up, warehouse/distribution building that contains 102,847 square feet of gross building area. This building was constructed on a build-to-suit basis for Ferguson Enterprises. This parcel is not a part of this portion of the appraisal, but will be valued in Section II of this report.

Ferguson Whse/Dist Building:

The subject parcel has off-site improvements installed which consist of concrete curb, gutter, sidewalk, and street lighting along the street alignments. All of the utilities are underground. The parcel is improved with a good quality, concrete tilt-up, warehouse/distribution building that contains a total of 102,847 square feet of gross building area. The site is finished with asphalt and concrete paving, landscaping with underground automatic sprinkler systems, yard lighting, and security fencing. Approximately 3.0 acres of the site is completely fenced and paved for the outside storage of plumbing and air-conditioning equipment.

**FLOOD INSURANCE
RATE MAP ZONE:**

Portions of the subject property are located in Flood Zones “X,” “AH” and “AO” according to FEMA Community Panels #06019C1595H, dated February 18, 2009; and #06019C2135H, dated February 18, 2009. The property located in Zone “X” is not considered to be within a designated flood hazard area. The property located in Flood Hazard Zones “AH” and “AO” is considered to be located within designated flood hazard areas.

SEISMIC SPECIAL STUDIES ZONE:

No

**SALES OF SUBJECT PROPERTY
WITHIN PAST THREE YEARS:**

The subject property has been under the same ownership, Fancher Creek Properties LLC, and 704 North Laverne Avenue, L.P. since 1999. The owners have subdivided the property into a 43-lot business park that is being marketed to owner/users and developers. One of the parcels, Parcel T, has been improved with a 102,847 square foot, warehouse/distribution building that has been developed on a build-to-suit basis for Ferguson Enterprises.

The vacant parcels have been listed over the past five years and to date none of the individual sites have been sold. The vacant parcels are currently listed with the Fresno office of CB Richard Ellis and are being marketed by this brokerage company. In the *Addenda* of this report is a copy of the retail pricing list for the various parcels.

VALUE INDICATIONS:

“AS IS” MARKET VALUES AND “AS IS” BULK SALE VALUE:

Section I - Fancher Creek Business Park - 42 Finished Office/Industrial Lots:

“As Is” Bulk Sale Value as of January 7, 2013 (Fee Simple Interest): = \$11,000,000

Section II - The Ferguson Enterprises Warehouse/Distribution Building:

“As Is” Market Value as of January 7, 2013 (Leased Fee Interest): = \$7,100,000

Section III - Fancher Creek Business Park - 42 Finished Lots & the Ferguson Enterprises Warehouse/Distribution Building:

Total Bulk Sale Value of the 42 Finished Lots - Fancher Creek Business Park and the Ferguson Enterprises Warehouse/Distribution Building as of January 7, 2013 (Fee Simple and Leased Fee Interests): = \$18,100,000

EXPOSURE & MARKETING TIME:

Exposure Time for Sections I, II, & III: 9-12 Months
Marketing Time for Section I, II, & III: 9-12 Months

EXTRAORDINARY ASSUMPTIONS: There are no extraordinary assumptions associated with either Sections I or II of this appraisal.

HYPOTHETICAL CONDITIONS: There are no hypothetical conditions associated with either Sections I or II this appraisal.

ASSUMPTIONS AND LIMITING CONDITIONS

1. No survey was made of the property and the dimensions are those taken from the maps in the office of the County Assessor.
2. No report of title was secured for the subject property. As such, the property is presumed to be marketable and that any liens or encumbrances can be removed.
3. No separation of land and building values may be used for any other purpose than that delineated elsewhere in this report.
4. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the author, particularly as to the valuation conclusion, the identity of the appraiser or appraisers, or firm with which it is connected, or any reference to the American Institute of Real Estate Appraisers or to the MAI or RM designations.
5. No right to expert testimony is included with this report and the fee for this appraisal does not include payment for pre-trial conferences or taking of depositions.
6. No responsibility is assumed for matters legal in nature.
7. No survey or soil tests of the land have been made by the appraiser or appraisers.
8. Possession of this report or any copy thereof does not carry with it the right of publication, nor may the same be used for any purpose by anyone except the employer of the appraiser or appraisers, without the previous written consent of the appraiser or appraisers and, in any event, only in its entirety.
9. The information and data reported in this appraisal have been obtained from sources which are deemed to be reliable. They are believed to be correct, but cannot be guaranteed by the appraiser or appraisers. This condition applies generally throughout the appraisal report and specifically to square footage calculations and descriptions of comparable properties.
10. The appraiser or appraisers have no personal interest or bias with respect to the subject matter of this appraisal or the parties involved.
11. This appraisal report sets forth all of the limiting conditions (imposed by the terms of the assignment or by the appraiser or appraisers) affecting the analyses, opinions and conclusions contained in this report.
12. No one other than the appraiser or appraisers whose signature appears on the Certification page of this appraisal report prepared the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report.
13. The appraiser or appraisers have no expertise with respect to toxic wastes, hazardous materials or undesirable substances. Proper inspections of the property by qualified experts are an absolute necessity to determine whether or not there are any current or potential toxic wastes, hazardous materials or undesirable substances in or on the property. The appraiser or appraisers have not made, nor will make, any representations, either express or implied, regarding the existence or nonexistence of toxic wastes, hazardous materials or undesirable substances in or on the property. Problems involving toxic wastes, hazardous materials or undesirable substances can be extremely costly to correct. It is the responsibility

of the client or recipient of this report to retain qualified experts to deal with the detection and correction of such matters.

14. This report and all matters contained herein were prepared for the sole and exclusive benefit of the client specified herein, and is intended for his use only. Neither all, nor any part of the contents of this report, or copy thereof, shall be used for any purpose by anyone but the client specified herein nor shall it be conveyed or disseminated by anyone to the public through advertising, public relations, news, sales or other media, without the express written consent and approval of the appraiser or appraisers. No one, except the client specified herein, may rely on this report for any purpose. Any person or entity who obtains or reads this report, or a copy thereof, other than the client specified herein, expressly assumes all risk of damages to himself or third persons arising out of reliance thereon or use thereof and waives the right to bring any action based on the appraisal, directly or indirectly, and the appraiser or appraisers shall have no liability to any such person or entity. In short, those who did not pay for this report cannot rely upon it.
15. The Americans with Disabilities Act (ADA) became effective January 26, 1992. A compliance survey and analysis of this property was not prepared to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser or appraisers have no direct evidence relating to this issue, the appraiser or appraisers did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

Real estate brokers indicate that there has not been a pricing discount for properties that were out of compliance with the ADA requirements at this point in time. However, this could change depending on the property type and investment size, and the potential costs to bring a property in compliance.

16. The projections of income and expenses, including the reversion at time of resale used in any discounted cash flow analysis presented within the appraisal report, are not predictions of the future. Rather, they are the best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of the appraiser or appraisers to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future, and upon what assumptions of the future investment decisions are based.
17. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. Peter S. Cooper Real Estate Appraisals, Inc., and the undersigned are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

18. All prospective values presented in this report are based on estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

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INTRODUCTION

SELF-CONTAINED APPRAISAL REPORT

I. APPRAISAL PROBLEM:

This appraisal is to provide a current “as is” bulk sale value of 42 finished office/industrial lots located in the Fancher Creek Business Park that is situated in the southeast sector of Fresno. In addition, this appraisal will also provide an “as is” market value of one of the lots within the Fancher Creek Business Park that is improved with a 102,847 square foot, warehouse/distribution building that was constructed on a build-to-suit for Ferguson Enterprises. The bulk sale of the 42 lots and the current “as is” market value of the leased fee interest in the Ferguson building will be combined for a total bulk sale value of the Fancher Creek Business Park.

The appraisal is divided into four sections with the first section of the report providing an aggregate retail price and a bulk sale value for the 42 finished office and industrial lots that comprise the Fancher Creek Business Park. The second section of the report is devoted to the valuation of the Ferguson building that is developed on Parcel T of Parcel Map No. 2004-36. The third section of the appraisal presents the bulk sale value of the lots combined with the “as is” market value of the leased fee interest in the Ferguson parcel for a total combined bulk sale value of the Fancher Creek Business Park. The fourth and final section of the report presents a summary of value conclusions and the exposure and marketing times.

II. PROPERTY LOCATION AND DESCRIPTION:

The Fancher Creek Business Park is a 43-lot office/light industrial park that is located at the southeast corner of Belmont and Fowler Avenues and at the northwest corner of Belmont and Armstrong Avenues. The parcels are located across the street (Belmont Avenue) from one another but are separated by Freeway 180. The properties are situated in the southeasterly sector of the city of Fresno approximately 5-1/2 miles east of the downtown central business district of Fresno.

Of the total (43) lots, 42 are vacant parcels that have all off-sites installed and all utilities are available to serve the parcels. The 42 lots comprise 69 acres or 3,004,811 square feet of land area with the average lot size being 71,543 square feet or 1.64 acres.

The Ferguson warehouse/distribution building is situated on an 8.90-acre parcel that is located at the southeast corner of Laverne and Washington Avenues which is situated at the center of the Fancher Creek Business Park. The warehouse/distribution building was completed in 2009 and is considered to be of good quality, concrete tilt-up construction. The building contains 102,847 square feet of gross building area of which 80,820 square feet is warehouse/distribution space and the balance, 22,027 square feet, is comprised of office, showroom and counter areas. The building has a total of 21.4% of finished office space. The building is leased to Ferguson Enterprises on a 10-year lease with approximately six years remaining.

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III. PURPOSE OF THE APPRAISAL:

The purpose of the appraisal is to provide an opinion of value of the leased fee interest in the Ferguson distribution building and the fee simple interest in all of the vacant parcels that comprise the balance of the Fancher Creek Business Park. The value of the parcels is subject to the proposed special tax lien CFE No. 2012-01 designated as Improvement Area 1.

IV. SCOPE OF WORK:

The appraiser has been requested by the client's representative, Mr. James Hamill, Program Manager, California Statewide Communities Development Authority, to provide a self-contained appraisal report on a 102,847 square foot, Class "A", office/distribution building that was constructed on a build-to-suit basis for Ferguson Enterprises, a subsidiary of Wolseley PLC. The building is developed on Parcel T of Parcel Map No. 2004-36. The parcel is also identified as 704 North Laverne Avenue, Fresno, California, 93727.

In addition, the appraisal is to provide a bulk sale value of the remaining 42 lots that comprise the Fancher Creek Business Park. These lots range in size from 17,140 square feet to 126,937 square feet of land area. The overall average lot size is 71,543 square feet or 1.64 acres. The appraisal is to provide the bulk sale value of these parcels and this value will be combined with the "as is" market value of the Ferguson Enterprises property for a total bulk sale value of the Fancher Creek Business Park.

In order to form an opinion of these valuation scenarios, the appraiser has considered the three approaches to value; namely the Sales Comparison, Cost, and Income Approaches to value. Of these three valuation methodologies, just the Sales Comparison and Income Approaches were used. The Cost Approach was not considered to be a relevant valuation methodology since buyers will typically make their acquisition decisions based on the Income Approach and Sales Comparison Approach with respect to the Ferguson distribution building. As for the vacant lots, the Sales Comparison Approach is the only meaningful valuation methodology.

The appraiser has used a Discounted Cash Flow Analysis to develop the bulk sale value for the vacant lots. To this was added the "as is" market value of the Ferguson building for a total bulk sale value of the property.

To complete the appraisal, the appraiser has performed the following scope of work for this appraisal assignment:

- Information regarding the physical and legal condition of the subject property was gathered from a physical inspection of the property, the client, and governmental agencies. The property inspection included driving and walking the site, conducting an interior inspection of the Ferguson building, taking photographs, and noting the obvious characteristics of the parcels and the building improvements. The inspection is not considered to be at the same standards that would be conducted by a licensed property inspector.

- Performed a highest and best use analysis of the property as if vacant and as improved.

INTRODUCTION

- Information regarding the neighborhood, market area, and market trends affecting the subject property was collected and confirmed with various sources. Some of these sources included the following: the developer, Mr. Tom Richards, and his representative, Mr. Scott Anderson; the City of Fresno's Planning Department; published secondary sources, such as MetroScan, Real Quest, Comps Inc., and investor surveys published by Real Estate Research Corporation (*RERC*) and Price-Waterhouse-Coopers (*PWC*). The appraiser has also interviewed market participants from the real estate community such as developers, real estate brokers, and a major owner of industrial and warehouse/distribution properties in the Fresno community.
- Prepared an appraisal report setting forth the conclusions developed in this analysis as well as the information upon which the conclusions were based.

In addition, the appraisal report has been prepared so as to comply with the requirements of:

- The Uniform Standards of Professional Appraisal Practice (USPAP) including the Ethics and Competency Provisions as promulgated by the Appraisal Standards Board of the Appraisal Foundation.
- The Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- An engagement letter presented to the California Statewide Communities Development Authority.
- The Appraisal Standards for Land-Secured Financing published by the California Debt and Investment Advisory Commission, dated May 1994 and revised July 2004.

V. APPRAISAL REPORTING OPTIONS:

The most recent edition of the Uniform Standards of Professional Appraisal Practice (USPAP) states that under Standards Rules 2-2 and 8-2 each written real property appraisal report must be prepared under one of the following three formats: Self-Contained Appraisal Report [Standards Rules 2-2(a) and 8-2(a)], Summary Appraisal Report [Standards Rules 2-2(b) and 8-2(b)], or Restricted Use Appraisal Report [Standards Rules 2-2(c), 8-2(c), and 10-2(b)].

After discussing the various reporting options with the client, it was mutually agreed that a Self-Contained Appraisal Report was to be completed and defined as:

- Self-Contained Report: A written report intended to comply with the reporting requirements set forth under all Standards Rule 2-2 (a) of the Uniform Standards of Professional Appraisal Practice for a Self-Contained Appraisal Report.

VI. INTENDED USER:

This appraisal report has been prepared for the intended user, California Statewide Communities Development Authority, and is to be directed to Mr. James Hamill, Program Manager, California Statewide Communities Development Authority, 2033 North Main Street, Suite 700, Walnut Creek, California, 94596.

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VII. INTENDED USE OF THE APPRAISAL:

The intended use of the appraisal is to help determine the feasibility of issuing bonds for CFE #2012-01.

VIII. COMPETENCY STATEMENT:

Peter S. Cooper, MAI, has the necessary education and experience to be able to perform an appraisal on a 42-lot finished subdivision designated for commercial, office, and light industrial developments such as the subject property and a warehouse/distribution building to meet the competency provisions of USPAP adopted by the Appraisal Institute.

IX. DATE OF INSPECTION AND EFFECTIVE DATE OF VALUE:

The original date of inspection was September 19, 2012 and was considered to be the effective date of value. However, due to a change in the bond payments, the subject properties have been revalued and the new effective date of value is January 7, 2013.

X. DATE OF APPRAISAL:

The date of the appraisal is January 7, 2013. This represents the date the appraisal was written and is indicated on the letter of transmittal. This date is not necessarily synonymous with the date of inspection nor the effective date of value.

XI. MARKET VALUE DEFINITION:

This appraisal has been prepared in accordance with the current economic definition of market value as set forth in the fifth edition of *The Dictionary of Real Estate Appraisal*, Appraisal Institute, 2010, page 122-123.

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus."

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

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The values reported in this appraisal are stated in terms of typical market financing, on terms generally available in the community at the specified time and typical for the property type and its locale. The values represent a normal consideration to be expected for the property, unaffected by special financing amounts and/or terms, services, fees, costs, or credit incurred in the transaction. Attempts were made to verify the financing terms on all market data used in this appraisal report, although, in some cases, this data was unavailable. If such data was found to have financing terms different than that currently available for the subject property, the data was adjusted for cash equivalency to the terms which are considered to be currently available for the subject property or other similar developments.

XII. VALUATION SCENARIOS:

Depending upon the nature of the appraisal assignment, estimates of market values at certain points in time may be required. Based on the appraisal requirements of the client, the scope of work discussed, and the physical and economic characteristics of the property, the following are the valuation scenarios used in this self-contained appraisal report:

Section I - 42 Undeveloped Lots, Fancher Creek Business Park:

- Bulk Sale Value as of January 7, 2013 (Fee Simple Interest)

Section II - Ferguson Enterprises Warehouse/Distribution Property - Parcel T of Parcel Map No. 2004-36:

- Market Value "As Is" as of January 7, 2013 (Leased Fee Interest)

Section III - Total Bulk Sale Value of the 42 Lots Plus the Contributing Value of the Ferguson Enterprises Property:

- Bulk Sale Value "As Is" as of January 7, 2013 (Fee Simple and Leased Fee Interests)

The following is a description of the valuation scenarios:

- **Market Value "As Is"**

Market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions or qualifications as of the effective date the appraisal is prepared.

- **Bulk Sale Value Scenario**

The valuation scenario employed in subdivision valuation and other appraisal problems in which a group of properties are evaluated under a bulk sale scenario. This valuation scenario has as its premise the valuation of a group of lots or units to one purchaser; it is a *market value* estimate that recognizes a specific valuation scenario that is based on the presumption of a transaction where a group of lots are to be sold to one purchaser as one sales transaction. The value estimate must reflect this bulk sale scenario and recognize that the only way the purchaser can earn a

INTRODUCTION

profit on the investment is to eventually sell the lots or units over time to eventual end users. The bulk sale scenario considers the absorption period needed to market the lot inventory over time with appropriate deductions and discounts for holding and sales costs as well as profit. This analysis assumes that time is of the essence and lot or unit inventory will be made available for sale to match available market demand at the market-supported retail lot or unit values.

XIII. PROPERTY RIGHTS APPRAISED:

42 Vacant Parcels - Fancher Creek Business Park:

The property rights appraised for the 42 finished vacant office/industrial lots is the fee simple interest. The fee simple is defined as:

"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." (*The Dictionary of Real Estate Appraisal*, 5th Edition, Chicago: Appraisal Institute, 2010, page 78)

Parcel T - Ferguson Enterprises Property:

The property rights appraised for the Ferguson Enterprises Property are those of the leased fee interest. The leased fee interest is described as follows:

"An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and leased fee are specified by contract terms contained within the lease." (*The Dictionary of Real Estate Appraisal*, 5th Edition, Chicago: Appraisal Institute, 2010, page 111)

XIV. PERSONAL PROPERTY:

Personal property is defined by USPAP as: identifiable tangible objects that are considered by the general public as being "personal" – for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate. (*USPAP 2012-2013*, The Appraisal Foundation, 2012, Definitions, pg. U-4)

This appraisal reflects the value of the real property rights and does not include any contributing value of furniture, fixtures or equipment utilized in the operation of the property or any good will that may be associated with the real estate.

No personal property is involved with any of the properties under appraisal.

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XV. LEGAL DESCRIPTION:

The appraiser has been provided with a preliminary title report prepared by First American Title Company dated August 24, 2012. Based on the information contained within the title report, the following is the legal description for the 42 parcels that comprise the Fancher Creek Business Park. It should be noted that the Ferguson Enterprises parcel was not included in the title report.

42 Parcels - Fancher Creek Business Park:

Real Property in the City of Fresno, County of Fresno, State of California, as described as follows:

Parcels A through S, U through Z, Parcels AA through AQ, Outlots 1 and 2 of Parcel Map No. 2004-36, in the City of Fresno, County of Fresno, State of California, according to the Map thereof recorded in Book 69, Pages 25 through 32 of Parcel Maps, Fresno County Records.

Parcel T - Ferguson Enterprises Parcel:

The legal description for the Ferguson Enterprises parcel is described as follows:

Parcel T of Parcel Map No. 2004-36, in the City of Fresno, County of Fresno, State of California, according to Map thereof recorded in Book 69, Pages 25-32 of Parcel Maps, Fresno County Records.

XVI. STATEMENT OF OWNERSHIP:

42 Vacant Parcels - Fancher Creek Business Park:

County records show title to the property to be vested in the name of Fancher Creek Properties, LLC.

Parcel T - Ferguson Enterprises Property:

The ownership for the Ferguson Enterprises property is known as 704 Laverne Avenue L.P. as per County Records.

XVII. PROPERTY ADDRESS:

42 Vacant Parcels - Fancher Creek Business Park:

No individual property addresses have been assigned to the various parcels.

Parcel T - Ferguson Enterprises Property:

704 North Laverne Avenue, Fresno, California 93727

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XVIII. REAL ESTATE TAXES:

Article XIII A of the California Tax and Revenue Code states that "properties shall be taxed on their full cash assessed value as of March 1, 1975," the base year lien date. Beyond this date, assessments may be increased only 2 percent per year until the property is sold, substantial new construction occurs, or the use of the property is significantly changed. In such cases, the property assessment may be increased to current market levels.

The 2011/2012 fiscal year is the most recent year for which assessed valuation and property tax information is available. The following is the total assessed values and taxes for the 42 lots in the Fancher Creek Business Park, and the taxes for the Ferguson parcel.

42 Finished Lots - Fancher Creek Business Park

Assessed Value 2011/2012 for:	APN 313-270-57 to 75 & 77 to 85 APN 310-132-01 to 08 & 310-133-01 to 06
Land:	\$2,614,642
Improvements:	0
TOTAL:	\$2,614,642
Tax Rate Area:	005-315
Tax Rate:	\$1.194560/\$100 of Assessed Value
Total Real Estate Taxes	\$35,255.24
Special Assessments:	(Included in Taxes)
Delinquent Taxes:	None

Ferguson Enterprises Property - Parcel T

Assessed Value 2011/2012 for:	APN 313-270-76s
Land:	\$403,012
Improvements:	3,919,254
TOTAL:	\$4,322,266
Tax Rate Area:	005-315
Tax Rate:	\$1.194860/\$100 of Assessed Value
Total Real Estate Taxes:	\$53,457.60
Special Assessments:	\$1,812.70 (Included in Taxes)
Delinquent Taxes:	None

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XIX. PROPERTY HISTORY:

The subject property has been under the same ownership, Fancher Creek Properties LLC, and 704 North Laverne Avenue, L.P. since 1999. The owners have subdivided the property into a 43-lot business park that is being marketed to owner/users and developers. One of the parcels, Parcel T, has been improved with a 102,847 square foot, warehouse/distribution building that has been developed on a build-to-suit basis for Ferguson Enterprises.

The vacant parcels have been listed over the past five years and to date none of the individual sites have been sold. The vacant parcels are currently listed with the Fresno office of CB Richard Ellis and are being marketed by this brokerage company. In the *Addenda* of this report is a copy of the retail pricing list for the various parcels.

XX. AREA ANALYSIS:

Fresno County Data:

Fresno County is located in the great southern San Joaquin Valley of Central California. The San Joaquin Valley extends from Stockton in the north to Bakersfield in the south, a distance of 227 miles. It is bounded on the west by the Coast Ranges, on the east by the Sierra Nevada Mountains, on the south by the Tehachapi Range, and on the north by the Sacramento Valley.

Since 1950, Fresno County has ranked as the first county in the nation for annual gross value of agricultural production. Fresno is the sixth largest county in California, extending from the Coast Ranges in the west across the Central San Joaquin Valley, to the crest of the Sierra Nevada in the east, a distance of 138 miles. Approximately half of the county is mountainous. The valley floor is 50 to 60 miles wide, consisting largely of prime alluvial soils. The Fresno Slough, a trough at the low point of the valley floor between the east and west sides, formerly served as a natural drainage system for runoff flood waters from the mountains. Besides the Kings and San Joaquin Rivers, the man-made California Aqueduct and the Friant-Kern Canal traverse the county, supplementing and recharging groundwater supplies that have been heavily over drafted in some areas.

About 40% of the county is contained within national forests and Kings Canyon National Park. Two-thirds of the county remains in a natural or semi-natural condition and the remaining one-third is extensively developed for agriculture and industry and supports most of the population. The east side of the valley is in relatively small farm holdings, but the more arid west side is characterized by large land holdings. Parcelization of farmland for rural residential development in the Fresno-Clovis area and in the foothills on the Valley's east side.

Area Economics:

Population: Over the last decade the San Joaquin Valley grew faster than most of California and now claims two of the state's largest cities – #5 Fresno with a population of 427,652 and #9 Bakersfield with a population of 347,483. The growth underscored a trend of more Californians moving inland to flee the coastal areas which have higher living costs in. Among the eight counties in the San Joaquin Valley all saw population growth of 15% or more over the last decade. Tulare, Madera, San Joaquin and Kern

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Counties drove the population growth in the Valley with these counties posting population growth above 20%. In contrast to this the state grew by 10% over the decade.

The following table compares the geographic sizes, populations and changes in population of Fresno County and the neighboring five counties that comprise the central and southern San Joaquin Valley.

**Population Change 2000-2010
Central & Southern San Joaquin Valley Counties**

County	Size Sq Miles	Total Population		Change, 2000-2010	
		April 1, 2000	April 1, 2010	Number	Percent
Fresno	5,962	799,407	930,450	131,043	16.4%
Kern	8,162	661,645	839,631	177,986	26.9%
Kings	1,392	129,461	152,982	23,521	18.2%
Madera	2,153	123,109	150,865	27,756	22.5%
Merced	1,972	210,554	255,793	45,239	21.5%
Tulare	4,839	368,021	442,179	74,158	20.2%

Residents of Fresno County are concentrated in the cities of Fresno and Clovis who share a common jurisdictional boundary. The city of Fresno, the county seat, has a population of 494,665 residents while the city of Clovis, the county's second largest city, has 95,631 residents. Historically, between 65%-70% of the county's population live within the the Fresno-Clovis Metropolitan Area (FCMA), which includes both cities as well as unincorporated neighborhoods within and adjacent to these communities. Over the last decade Fresno City's population grew 15.7% while Clovis grew by 39.7%.

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The following table lists the incorporated communities in Fresno.

Population Change 2000-2010 Incorporated Communities of Fresno County

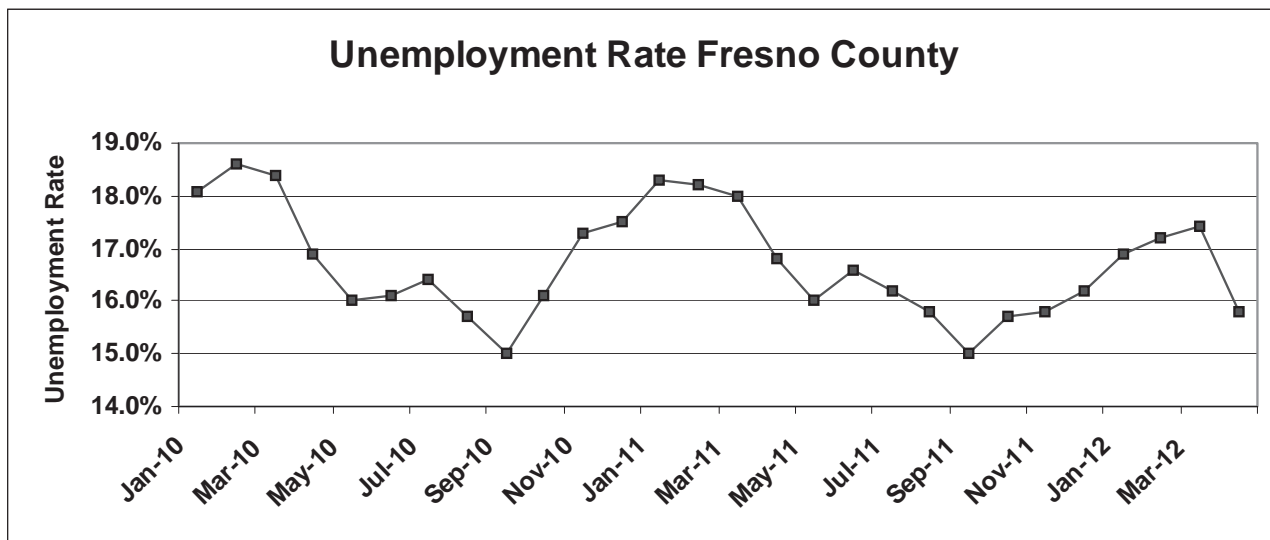
City	Total Population		Change, 2000-2010	
	April 1, 2000	April 1, 2010	Number	Percent
Cities in Fresno County along the Freeway 99 Corridor				
Fresno	427,652	494,665	67,013	15.7%
Clovis	68,468	95,631	27,163	39.7%
Selma	19,444	23,219	3,775	19.5%
Kerman	8,551	13,544	4,993	58.4%
Kingsburg	9,199	11,382	2,183	23.7%
Fowler	3,979	5,570	1,591	40.0%
East Fresno County Cities				
Sanger	18,931	24,270	5,339	28.2%
Reedley	20,756	24,194	3,438	16.6%
Parlier	11,145	14,494	3,349	30.0%
Orange Cove	7,722	9,078	1,356	17.6%
West Fresno County Cities				
Coalinga	16,213	13,380	-2,833	-17.5%
Mendota	7,890	11,014	3,124	39.6%
Firebaugh	5,743	7,549	1,806	31.4%
Huron	6,306	6,754	448	7.1%
San Joaquin	3,270	4,001	731	22.4%

Population projections published by the California Department of Finance in May 2012 forecast a 16% population growth for Fresno County over the next decade. By 2020, Fresno County is forecast to have a population of 1,083,889 residents. Assuming the FCMA continues to capture about 65% of the county's total population, approximately 780,000 people will reside within the Fresno-Clovis urban area.

Employment: Over the last two decades the labor force in Fresno County has grown from 313,000 workers in 1990 to 441,100 workers (preliminary) in April 2012. Because of the region's agricultural base and the seasonality of work in this industry, annual unemployment in the county typically fluctuate between 10% and 15%. Fresno and surrounding counties in the San Joaquin Valley tend to have higher unemployment levels than the much larger and more economically diverse regions in southern and northern California. The lowest period of unemployment was between 2005 and 2007 during the recent housing boom when the county's annual unemployment averaged between 8.0% to 9.0%. With the

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collapse of the housing market and the 2008-09 recession, employment levels declined dramatically. For the last three years Fresno County's unemployment rate has been above 14% each month. The following graph shows the seasonal fluctuations of employment patterns in the county since January 2010.

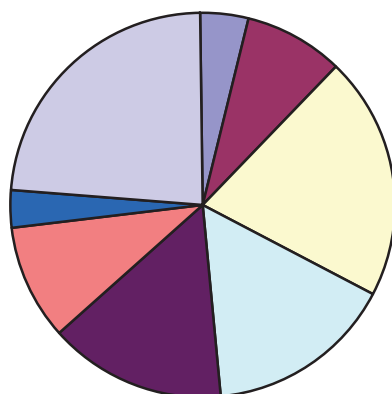


California Employment Development Department reported April 2012 unemployment in Fresno County was 15.8%, which was a decline of 1.6 percentage points from the prior month. For this same period California showed a 10.5% unemployment rate in April, a one percentage point decline from the March. The level of unemployment is forecast to remain high in Fresno County as this region struggles to recover from the recent recession.

The economic base of the Fresno County is a mix of farming, government and services. According to the California State Employment Development Department, preliminary estimates for wage and salary employment in all industry sectors in Fresno County totaled 328,000 workers in April 2012. This is an increase from March 2012 (319,000 workers) as well as from a year ago (324,000 total workers April 2011). Federal, state and local government comprise the largest share with 23% of the non-farm payroll employment. Other major employment sectors include trade/transportation/utilities comprising 20.3% of the non-farm payroll jobs and education and health services that comprising 14.8% of the workers. The combined sectors of information, financial activities and professional/business services comprise 14.3% of the non-farm employment. While agricultural is the major export industry of the county in terms of gross dollars, this sector employed 43,000 workers in April 2012 or 13% of total workers. The following graph and table show non-farm employment trends by industry sector over the last year.

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Fresno County Non-Farm Employment April 2012



- Constr, mining & logging
- Manufacturing
- Trade, transp., utilities
- Prof servcs, fin & inform
- Educ & health services
- Leisure & hospitality
- Other services
- Government

Fresno County Non-Farm Payroll Employment by Industry Sector

(Thousands of jobs not seasonally adjusted)

Non-Farm Industry Sector	Year Ago	Month Ago	Current	Month-Over Change		Year-Over Change	
	April 2011	March 2012	April 2012	#	%	#	%
Total, Non-Farm	282,100	284,200	285,000	800	0.3%	2,900	1.0%
Constr, mining & logging	11,600	11,800	11,500	(300)	-2.5%	(100)	-0.9%
Manufacturing	22,800	24,300	23,800	(500)	-2.1%	1,000	4.4%
Trade, transp., utilities	55,500	57,500	58,000	500	0.9%	2,500	4.5%
Information	3,100	3,200	3,200	0	0.0%	100	3.2%
Financial activities	13,100	13,100	13,100	0	0.0%	0	0.0%
Prof. & business services	27,200	27,500	27,800	300	1.1%	600	2.2%
Educ & health services	42,000	42,200	42,300	100	0.2%	300	0.7%
Leisure & hospitality	27,100	27,600	27,700	100	0.4%	600	2.2%
Other services	10,000	9,900	9,900	0	0.0%	(100)	-1.0%
Government	69,700	67,100	67,700	600	0.9%	(2,000)	-2.9%

INTRODUCTION

While agriculture is a major industry in Fresno County and the economic base for the region, many other industry sectors help complement and stabilize the economy. Some of the larger private and public employers in Fresno County include the following enterprises and organizations:

MAJOR EMPLOYERS IN FRESNO COUNTY		
Major Employer – Private	Activity	Number of Employees
Community Medical Centers	Health care	6,000
Kaiser Permanente	Health care	2,603
Pelco	Manufacturing video security	2,150
Saint Agnes Medical Center	Health care	2,031
Quinn Group, Inc.	Manufacturing	1,178
Foster Farms	Food processing - poultry	1,100
AT&T	Telecommunications	1,000
Cargill Meat Solutions	Meat production	999
Zacky Farms	Food processing - poultry	975
Aetna	Insurance	950
Harris Ranch Beef Company	Meat production	700
Sun-Maid Growers of California	Raisin & dried food processing	600
The Nelson Group	Automotive sales	515
Guarantee Real Estate	Real estate sales	491
Fresno Truck Centers	Transportation sales	460
Sunrise Medical	Home care & mobility products	450
Lyons Magnus	Food processing	420
Guardian Industries	Float glass manufacturing	365
Educational Employees Credit Union	Financial institution	359
Producers Dairy Foods	Dairy product processing	350
Turner Security Systems	Security services & alarm response	338
Securitas Security Services USA	Security services & alarm response	325
Anlin Industries	Manufacturing windows & doors	310
The Fresno Bee	Newspaper publisher	307
Grundfos Pumps & Manufacturing	Manufacturing water pumps	276
MAJOR EMPLOYER – PUBLIC		
Internal Revenue Service	Federal government	NA
Fresno Unified School District	Education	11,500
County of Fresno	County government	6,500
City of Fresno	City government	3,780
Clovis Unified School District	Education	3,370
California State University, Fresno	Education	1,671
State Center Comm. College Dist.	Education	4,155
VA Central Calif. Health Care System	Health care	897
Fresno County Office of Education	Education	759
San Joaquin Valley Air Pollution Control District	Air quality	306
Source: Fresno County Economic Development Corporation		

INTRODUCTION

The Business Forecasting Center at the University of the Pacific Eberhardt School of Business, publishes a quarterly economic report, *California & Metro Forecast 2010-2015*, forecasting population, employment, and income trends in California and ten metropolitan areas from Sacramento to Fresno including the San Francisco Bay Area. In the January 2011 publication, they project a long slow economic recovery for California with the state's real gross product averaging a modest 2.8% annual increase through 2014. Non-farm payroll employment is forecast to grow 1% for the state and less than one-half percent for the Central Valley region. As the economy continues its slow recovery over the next four years, annual non-farm payroll employment growth will average between 1.9% and 2.3% for the state and region.

With 26,600 jobs lost in the recession in Fresno County, or 8.9% the non-farm payroll jobs, the Business Center forecasts it will take until the second half of 2015 before jobs recover their 2007 peak. Annual job growth in 2012 will be a modest 0.8% and will be led by the construction and mining, transportation and utilities, health care and other service sectors. As the economy continues to recover, job growth will see modest rises of 1% to 2% over the next two years. Over this same period unemployment levels in Fresno County are expected to fall and average about 14 % for the next several years.

Sales Tax: The State Board of Equalization has reported taxable sales in retail outlets of \$6,918,513 in 2010 for Fresno County. Sales growth in Fresno County turned negative in 2007, down 3.1% from the prior year. Negative sales growth continued through 2009. Over this three-year period retail sales declined a total of 25.6%. In 2010 retail sales turned positive with a growth of 2.7%, which indicates the decline in sales has reached bottom. Forecasts call for retail sales to maintain a moderate pace of growth going forwards.

Fresno and Clovis are the largest cities in the county and capture the bulk of the retail activity in the county. In 2010, the City of Fresno had \$4,456,469 in taxable sales and the City of Clovis had \$1,048,537. The difference between the sales for Fresno County and the total for Fresno and Clovis is attributable to the sales generated in other cities in the county. Between 2007 and 2009 these cities saw similar rates of decline in their retail sales as did the county. In 2010 Fresno and Clovis saw modest increases of 2.6% and 2.1%, respectively, from the prior year.

INTRODUCTION

The following table shows the taxable retail sales in Fresno County over the last 20 years.

SUMMARY OF FRESNO COUNTY TRENDS						
<i>Year End Except as of April 1st in Census Yrs</i>	<i>Population Fresno County ^a</i>	<i>Average Industry Employment^b</i>		<i>Average Unemployment Rate^b</i>	<i>Taxable Retail Sales ^c (1000's)</i>	<i>Per Capita Personal Income^d</i>
		<i>Farm</i>	<i>Non-Farm</i>			
1990	667,490	52,700	244,500	11.7%	\$4,023,360	\$16,928
1991	686,000	59,600	227,300	13.5%	\$4,002,240	\$17,023
1992	706,100	47,900	230,200	15.6%	\$4,089,075	\$17,539
1993	722,600	51,500	233,600	15.5%	\$4,181,708	\$18,036
1994	735,200	56,900	237,200	14.3%	\$4,345,645	\$18,105
1995	746,500	58,200	243,500	14.1%	\$4,426,605	\$18,563
1996	760,900	62,000	246,800	13.4%	\$4,566,309	\$18,874
1997	776,200	60,300	249,800	13.6%	\$4,666,414	\$19,059
1998	786,779	58,700	253,500	14.3%	\$4,868,469	\$19,839
1999	799,407	56,300	262,000	13.6%	\$5,338,431	\$20,662
2000	799,407	55,600	270,600	10.4%	\$5,857,841	\$21,508
2001	808,611	48,700	275,900	10.7%	\$6,110,890	\$22,592
2002	821,809	46,600	282,000	11.5%	\$6,513,761	\$23,492
2003	837,256	46,200	282,700	11.8%	\$7,048,496	\$24,399
2004	853,057	46,000	286,900	10.5%	\$7,730,818	\$25,225
2005	866,058	46,400	294,300	9.0%	\$8,556,886	\$26,052
2006	879,128	46,500	203,600	8.0%	\$9,058,802	\$27,081
2007	893,088	48,100	306,400	10.0%	\$8,776,111	\$28,181
2008	906,521	48,900	303,000	10.5%	\$7,872,783	n/a
2009	918,560	47,200	286,600	15.1%	\$6,735,619	n/a
2010	930,450	47,100	229,800	16.8%	\$6,918,513	n/a

^a California Department of Finance (CDF) estimates for non-census years are reported as of January 1st but listed in this table at year-end of preceding year.
^b California Employment Development Department: Labor Market Information Division (Benchmark March 2010)
^c State Board of Equalization and *California Retail Survey*, 2011; unadjusted dollars
^d State Employment Development Department (Fresno County)

Agricultural Production: The total gross production value of Fresno County’s agricultural commodities in 2010 was \$5,944,758,000. This represents a 11.17% increase from the 2009 production value. Fruit and nut crops accounted for 45% of the gross production value followed by vegetable crops at 25% and livestock and poultry at 20%. Those commodities with the highest year-over-year increases were fruit and nut crops with a \$403 million increase, livestock and poultry products (that include milk, eggs and wool) with a \$95 million increase, field crops with a \$67 million increase and vegetable crops with a \$63 million increase. A season of abundant rain fall led to an improved and consistent supply of water, which in turn contributed to a record year for crop values and yields. According to the Agricultural Commissioner, Ms. Carol N. Hafner, the outlook for 2011 is “guardedly optimistic . . . [though] the guarantee of water and of the cost of production is beyond the control of the grower.”

Agriculture continues as the major industry in Fresno County and is a driving force in the county’s economy. According to the Fresno County Department of Agriculture, every dollar received by Fresno County producers results in the economic extension benefit of \$3.50 to the total economy of the county.

INTRODUCTION

The following table shows the Fresno County's ten leading crops for Year 2010.

FRESNO COUNTY'S 10 LEADING CROPS					
<i>Crop</i>	<i>2010 Rank</i>	<i>2010 Dollar Value</i>	<i>2009 Rank</i>	<i>2000 Rank</i>	<i>1990 Rank</i>
Grapes	1	\$820,300,000	1	1	1
Almonds	2	619,004,000	4	7	14
Tomato	3	583,283,000	2	4	3
Poultry	4	486,160,000	3	2	+
Milk	5	393,266,000	6	5	5
Cattle & Calves	6	291,877,000	5	6	6
Garlic	7	264,948,000	10	12	15
Pistachio	8	222,480,000	11	26	*
Oranges	9	207,086,000	8	11	8
Cotton	10	150,562,000	18	13	2
Top Ten Total					
+ Not previously combined for ranking purposes.					
* Not in top 30 ranking					
Note: Data provided by the County of Fresno Department of Agriculture, <i>2010 Agricultural Crop & Livestock Report</i> .					

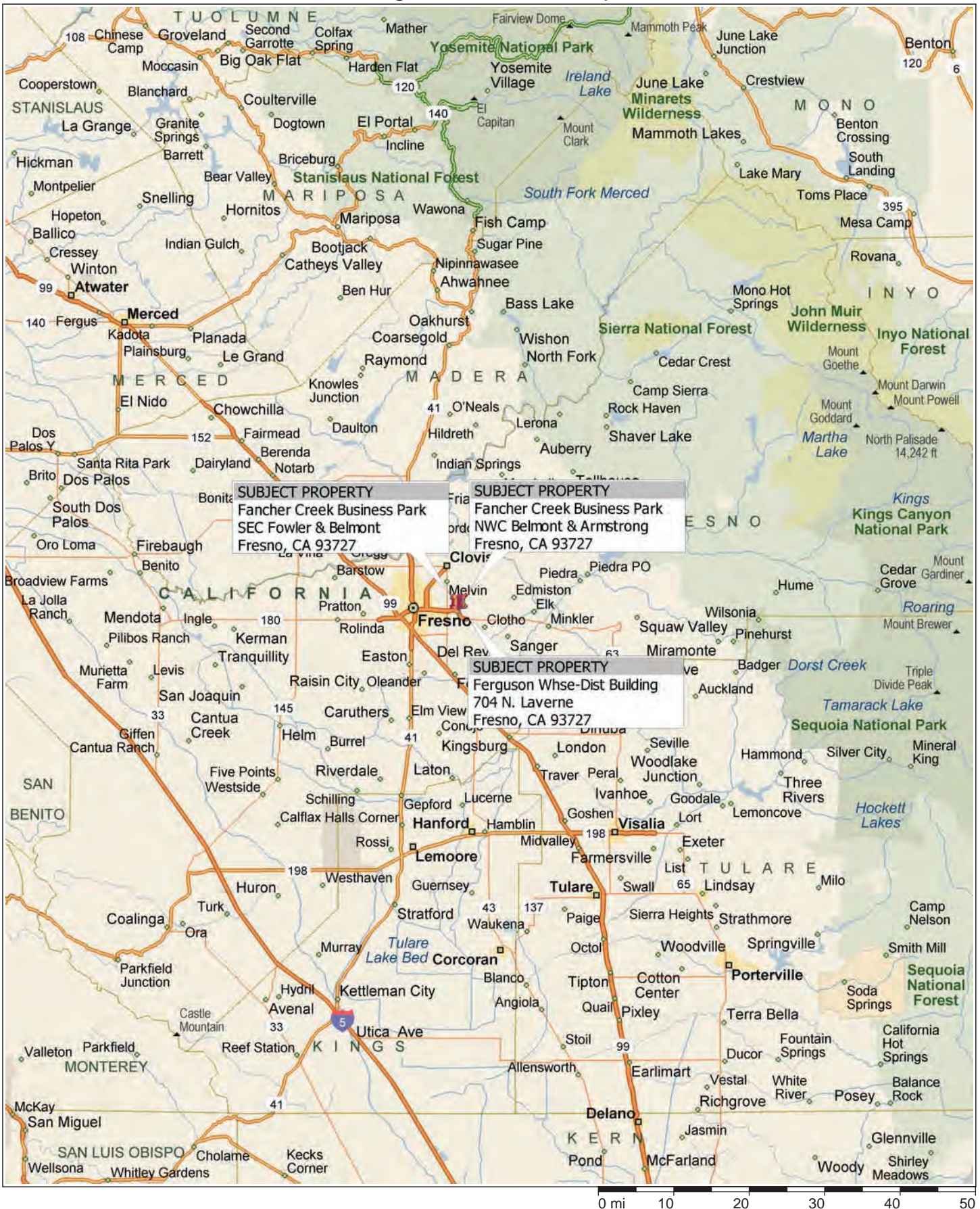
Public Transportation: Fresno, a designated United States Port-of-Entry, is a hub of transportation facilities of all kinds, connecting Central California to designations anywhere in the world.

With two municipal airports, Fresno provides facilities for both private and commercial aviation services. Allegiant Air, American Airlines, American Eagle, American West Express, United Express, Delta/Sky West, and Horizon Air operate regularly scheduled flights from the Fresno Yosemite International Airport. Both the Burlington Northern Santa Fe and Union Pacific Railroads have extensive freight terminal facilities. Amtrak also serves the Fresno market. Greyhound bus line has a terminal in Fresno, in addition to Fresno Area Express, which provides local metropolitan area bus service. Dozens of trucking firms provide service of every description to all parts of the country.

Community Facilities: The Fresno area provides all of the service and supply, cultural and recreational facilities of a large metropolitan area, including police and fire protection; public elementary; junior high and high schools; one public junior college; one state university; 16 private schools; medical and dental facilities; churches; a library system; motels; restaurants; and numerous shopping facilities.

Climate: The county climate varies from subtropical to alpine. Fresno County's mean maximum temperatures average from 55 degrees Fahrenheit in January to 99 degrees Fahrenheit in July. Precipitation ranges from an average of only 6 to 7 inches in the Westlands District, which is in the shadow of the Coast Ranges, to over 50 inches in parts of the Sierra Nevadas. Foggy periods are frequent in the valley during the winter months; however, the year-round sunshine more than offsets winter foggy periods.

Regional Location Map



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INTRODUCTION

Fresno/Clovis Metropolitan Area Data:

The cities of Fresno and Clovis are located in the north-central portion of the Fresno County and share common boundaries along North Willow Avenue and the approximate alignment of Dakota Avenue. Though the two communities remained physically separated for most of the last century developing their own styles and personalities, they have grown together over the 25 years and now account for the largest population center in the San Joaquin Valley outside of the Sacramento area. The construction of several major highways (Freeways 41,168 and 180) in the urban area over this period supported this growth. The cities utilize common employment centers with residents of both cities commuting across town to work. Aside from jobs, the cities share common shopping, entertainment, cultural and recreational venues, as well as schools, hospitals and other regional services.

City of Fresno:

The city of Fresno was incorporated in 1885 and is the county seat of Fresno County. Located near the center of the state, Fresno is 184 miles south of San Francisco and 222 miles north of Los Angeles. The central business district of Fresno is located in the original sector of the city, generally located between the Santa Fe and Southern Pacific Railroad tracks and between Monterey and Divisadero Streets. Through the Second World War the central business district remained the center of commerce and government for the city. Residential development followed historical growth patterns, moving northward and eastward. During the late-1960's and 1970's, the northward urban expansion pulled retailers away from the central business district to more modern and functional shopping centers located in closer proximity to new suburban development. The downtown core area remains the focus of government and contains most of the regions City, County, State and Federal administrative offices.

Over the last 125 years the city of Fresno has grown from 10,000 people to 500,000 people. The city extends north to the San Joaquin River, the county's northern boundary, and encompasses almost 50 square miles of land area. In the 2010 US Census the city of Fresno had a population of 494,665 residents and was ranked the fifth largest city in the state of California. This reflects an increase of 13.5% from the 2000 Census which reported the city's population of 427,652. Based on estimates from the California State Department of Finance the city of Fresno reached 500,121 residents as of January 1, 2011, an increase of 1.2% from January 1, 2010. This rate of growth is similar to the County's growth rate of 1.1% for the same period and is higher than the state's 0.8%.

City of Clovis:

The city of Clovis grew up around San Joaquin Division of Southern Pacific Railroad that was developed to serve farming, livestock, mining and timber interests in the valley and the nearby mountains. Sitting at the base of the Sierra Nevada foothills Clovis has long been known as the "Gateway to the Sierras." The community was founded in 1891 after the arrival of the railroad and the competition of the 42-mile long Shaver lumber flume and the 40-acre Clovis saw mill and finishing plant.

INTRODUCTION

Clovis has experienced very rapid growth over the past 40 years and has been one of the fastest growing smaller communities in the state of California. Between 1970 and 1990, Clovis grew from a rural town of 13,856 people to 50,323 residents. In the last twenty years the population in Clovis almost doubled reaching 95,631 residents in the 2010 census. The annual rate of growth between 2000 and 2010 was 3.9%. With the economic recession and collapse of the housing market, population growth has slowed. The State Department of Finance estimates the January 1, 2011, population at 97,218 residents, an increase of 1.8% from the prior year, but above the pace of growth in the city of Fresno and in the County.

In addition to the central business district of each community there are two regional shopping centers in north Fresno, Fashion Fair at Shaw Avenue and First Street and River Park at Blackstone and Nees Avenues, and one in Clovis, Sierra Vista Mall at Shaw and Clovis Avenues. Numerous community and neighborhood centers are located throughout the metropolitan area.

As evident from the agricultural influence in Fresno County, the economic base of Fresno- Clovis area is similarly oriented; however, many industries help complement and stabilize the economy. Major industrial and/or manufacturing firms include The Gap, Pelco by Schneider Electric, iLoveToCreate® a Duncan Enterprises Company, and P.P.G. Industries. Several of the largest non-manufacturing employers include the Internal Revenue Service, Community Hospital and Medical Center, California State University-Fresno, the City of Fresno, University Medical Center, Saint Agnes Medical Center, Pacific Bell, and Pacific Gas and Electric Company.

SUMMARY OF TRENDS - CITIES OF FRESNO & CLOVIS							
<i>Year End</i>	<i>Fresno City Population^a</i>	<i>Clovis City Population^a</i>	<i>Taxable Sales^b (1000's)</i>	<i>Building Permits^c - Fresno</i>		<i>Building Permits - Clovis</i>	
				<i>Single Family (units)</i>	<i>Multi Family (units)</i>	<i>Single Family (units)</i>	<i>Multi Family (units)</i>
1990	354,091	50,323	\$2,704,716	2,031	1,297	--	--
1991	379,823	54,309	\$2,655,118	1,875	535	--	--
1992	389,144	56,538,	\$2,665,848	2,271	569	--	--
1993	395,649	59,140	\$2,745,973	1,915	234	--	--
1994	401,317	62,389	\$2,782,163	1,803	184	--	--
1995	406,338	63,839	\$2,858,643	1,454	504	--	--
1996	410,813	64,653	\$2,858,683	1,625	282	366	2
1997	414,597	65,376	\$2,955,097	1,323	182	280	17
1998	419,629	66,308	\$3,006,271	1,365	139	390	160
1999	425,778	68,057	\$3,337,248	1,459	294	362	16
2000	427,652	68,516	\$3,665,810	1,397	49	507	0
2001	440,193	72,514	\$3,863,836	1,588	109	1,036	0
2002	447,548	75,805	\$4,158,346	1,134	179	1,319	0
2003	452,909	80,111	\$4,502,934	1,516	783	1,380	54
2004	457,786	84,552	\$4,920,482	2,085	1,033	1,430	437
2005	463,405	88,239	\$5,411,282	2,247	1,147	1,310	0
2006	470,817	90,155	\$5,643,638	1,792	183	655	0
2007	447,499	92,484	\$5,495,981	2,043	847	623	151
2008	487,353	93,629	\$4,950,428	887	192	415	16
2009	494,053	95,447	\$4,846,469	1,009	22	571	0
2010	494,665	95,631	-	712	192	38	0
2011	500,121	97,218	-	-	-	-	-

^a California Department of Finance (CDF) estimates for non-census years are reported as of January 1st but listed in this table at year-end of preceding year
^b State Board of Equalization and *California Retail Survey*, 2010
^c Fresno City Planning Department, Quarterly Housing Report (CSUF), Construction Industry Research Board, or U.S. Census Department

INTRODUCTION

Housing in the Fresno-Clovis area has kept pace with past population growth. Over the last 25 years new single family construction has averaged between 2,000 and 2,500 units per year in the metropolitan area. At the height of the building boom of the last decade new home construction soared to 3,500 units in 2004-2005. Since the collapse of the housing market, building activity has declined to historically low levels. New residential construction is concentrated on the fringes of the metropolitan area. The more active new home markets are in northeast and southeast Clovis, east Fresno, west Fresno and northeast Fresno. A number of local and national homebuilders offer new production homes with current prices in the \$175,000 to over \$350,000 range. According to the California Association of Realtors, the median home price for new and existing homes sales in Fresno County in December 2011 was \$140,480, a 3.3% decline from December 2010 median price of \$145,280 and a 3.6% decline from November 2011 with a median price of \$145,770. Sales volume was higher in December with 919 units reported selling compared to 808 sales a month earlier (November 2011) and 805 sales a year earlier (December 2010).

There are four school districts that serve residents of the metropolitan area. Four school districts have jurisdiction within the city limits of Fresno: Fresno, Central, Sanger and Clovis. Most educational facilities in the city of Fresno are administered by the Fresno Unified School District, which administers 93 elementary and junior high schools and eight high schools. Clovis Unified School District administers 41 schools in the northwest quadrant of the metropolitan area. The jurisdiction of this district includes the city of Clovis and rural areas north and east of town, neighborhoods in northeast Fresno (north of Herndon Avenue and east of Van Ness Extension) and east Fresno (south of Kings Canyon and east of Clovis/Fowler Avenue). Central Unified School District administers 22 schools in the western (west of Freeway 99) and northwest areas of the city. Sanger Unified School Districts serves residents in the southeast corner of Fresno (south of Kings Canyon and east of Clovis/Fowler Avenue). Though there are nearby elementary schools to serve the neighborhood, students in higher grades must travel to Sanger for middle and high school.

Post graduate instructional institutions in the metropolitan area include Fresno Community College, a state junior college, which has a main campus in central Fresno and recently built satellite campus in northeast Fresno; Pacific College, an accredited denomination university; and San Joaquin College of Law, an accredited private college of law. California State University-Fresno, is a four-year accredited institution offering Master of Arts & Science in many fields of study with an enrollment of approximately 25,000 students. Several other institutions offer associate and bachelor degrees, specialized master degrees, or certification programs. These institutions and trade schools include Heald College, Galen College of Medical and Dental Assistants, Lyles Colleges of Beauty, Manchester Beauty College, Sierra Valley Business College; ITT Technical Institute, Kaplan College, Milan Institute, University of Phoenix, DeVry University and Alliant International University.

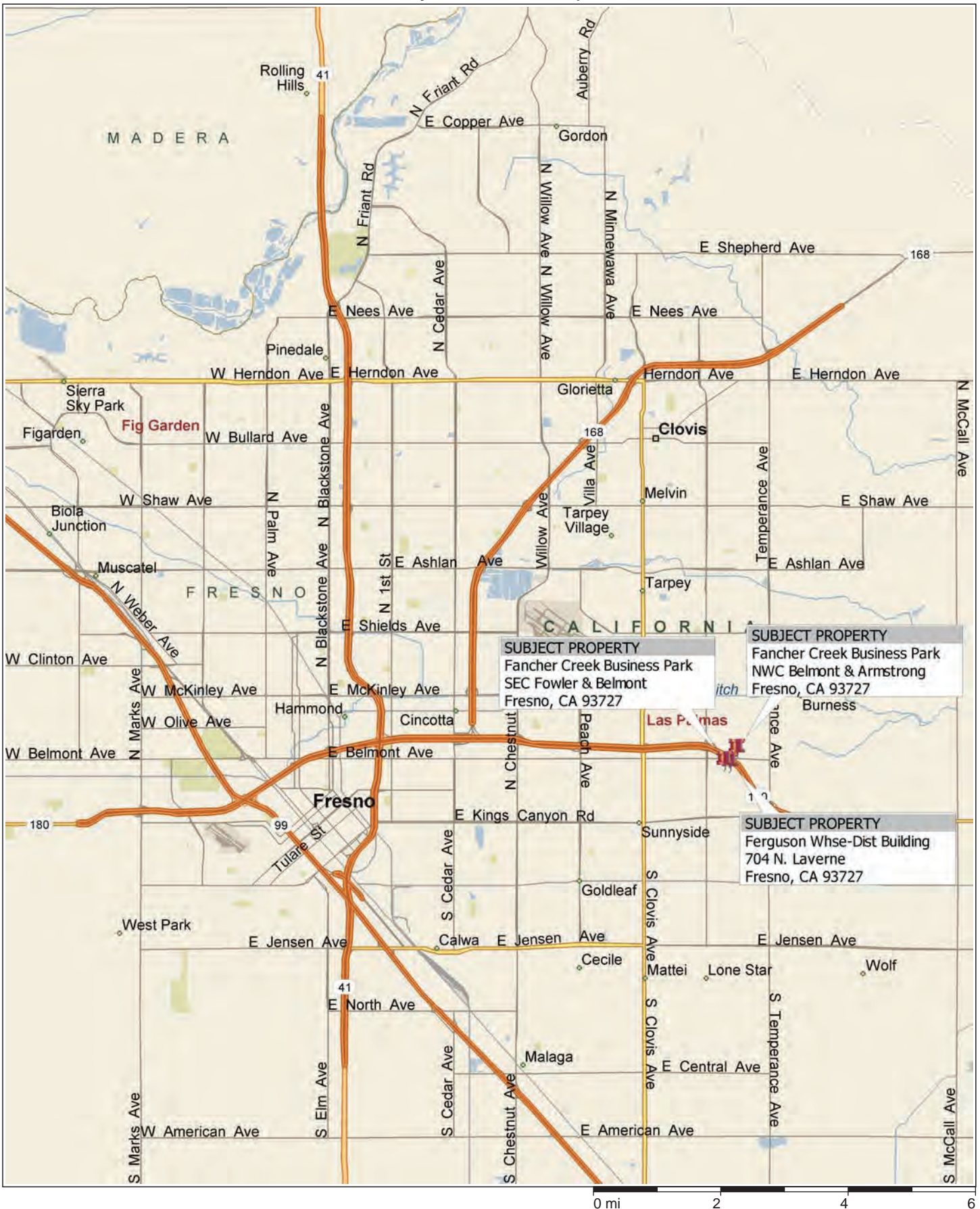
Other cultural and recreational resources in the metropolitan area include over 750 churches, 10 public libraries, one major newspaper, 86 radio stations, 16 television channels received directly, 3 regional parks, over 75 neighborhood parks/playgrounds, a nationally renowned zoological garden, three public golf courses, and five movie theater complexes. In addition, there is a Fresno Arts Center, The Fresno Philharmonic Orchestra, the Fresno Musical Club, Junior Museum of National History, Fresno Arts and Culture Events, Meux Home Museum, Legion of Valor Museum, Downing Planetarium, Forestiere Underground Gardens, Saroyan Theater; and a regional ballet company. For the sports enthusiasts and music venues, there is the Chukchansi AAA Baseball stadium, Fresno Convention & Entertainment Center, and the Save Mart Center.

INTRODUCTION

Transportation facilities include truck, bus, rail and air. Numerous interstate and intrastate carriers have terminals in the Fresno-Clovis area providing overnight delivery to Los Angeles, San Francisco, Sacramento, Reno and San Diego. Greyhound provides passenger bus service. The Fresno County Rural Transit Agency provides public transportation in each incorporated city within the county. Access to major highways is good, with the north/south Highways of 99 and 41 and the east/west Highway of 180 extending through the city. Interstate 5 is approximately 40 miles to the west. The Union Pacific and Burlington Northern Santa Fe Railroads offer freight transportation, while Amtrak provides passenger service. The Fresno Yosemite International Airport handles all commercial air transporting and is served by Allegiant Air, American Airlines/American Eagle, United Express, Delta Airlines/Sky West, and Alaska Airlines/Horizon Air, United Airline, United Express, US Airways. Chandler Municipal Airport serves general aviation needs as well as private and company aircraft.

The Fresno-Clovis area should continue to grow at least moderately, if not faster, than the state as a whole over the near term. The central state location provides many advantages to industry which, together with agriculture, makes the area economically stable. As the local economy strengthens and slowly recovers from the recession, business and employment opportunities will expand over the next two to three years.

City Location Map



INTRODUCTION

Immediate Neighborhood Data:

The Fancher Creek Business Park is located approximately 5-1/2 miles east of the downtown central business district of the city of Fresno and 3-1/2 miles south of the Fresno Yosemite International Airport. It is on the edge of urban development. The neighborhood may be more closely identified as being bounded by Kings Canyon Road on the south, Clovis Avenue on the west, Freeway 180 on the north, and Temperance Avenue on the east. The properties within this area are generally in transition from older agricultural pursuits to urban uses consisting of single family subdivisions and commercial uses along the major arterials. A combination of irrigated row crops, deciduous fruit trees, and vines have been the predominant land uses throughout the area. These agricultural pursuits are gradually giving way to more intense urban development as demand for residential housing has increased throughout the market area.

The Fancher Creek Business Park is on the northeastern edge of this neighborhood. The business park comprises two parcels and has been subdivided into 43 lots. The larger parcel extends along the south line of Belmont Avenue from Fowler to Armstrong Avenues; the small parcel is at the northwest corner of Belmont and Armstrong Avenues. The predominant land use in the immediate vicinity of the subject is vacant land, agricultural land under cultivation, and residential development. The vacant and agricultural acreage extends north and east of the subject. In the City's General Plan, the surrounding land uses include a mix of low density residential extending east from Armstrong Avenue to Temperance Avenue, and light industrial along both sides of Fowler Avenue extending north from Belmont Avenue.

At the southwest corner of Belmont and Fowler Avenues is a single family neighborhood that was developed about 15 to 20 years. Homes are of average quality and generally range in value \$150,000 to \$225,000. More recently developed housing tracts are located about 3/4's of a mile from the subject, northwest of the Kings Canyon and Armstrong Avenues. Two parcels of land that border the subject on the southwest are planned for development to a 104-lot single family tract. More extensive residential development is occurring at the northwest corner of Kings Canyon and Fowler Avenues, about 1 mile south of the subject. Centex-Pulte Homes has about 250 acres that is approved for development to 965 residential units. Lot development is underway on a portion of this acreage, however, residential developments have all but ceased due to the recessionary economy which has resulted in a substantial number of foreclosures and short sales over the past several years. However, due to the very low inventory of homes on the market and the increase in demand for housing, construction of new homes is beginning to pick up albeit at a moderate pace.

Commercial developments are concentrated at the intersection of Kings Canyon Road and Clovis Avenue. At the southeast corner there is a neighborhood center anchored by a Vons grocery store, a Dollar Tree discount store, and some other pad and in-line space. At the southwest corner is a Rite Aid drug store and a service station. At the northeast corner is a Walgreens and a service station along with a small two-tenant strip center that is occupied by Starbucks and a food service tenant. At the northeast corner is a larger shopping center anchored by Save Mart and Orchard Supply. The center was acquired several years ago by Save Mart who remodeled a portion of the center with a new supermarket building and added some new shop space.

INTRODUCTION

At the southeast corner of Kings Canyon Road and Fowler Avenue is a newly developed strip center anchored by a George Browns fitness center and over 45,000 square feet of retail space. This project is currently undergoing lease-up.

A regional center, Fancher Creek Town Center, is planned for development and is located along the east side of Clovis Avenue at the "T" intersection of Tulare Avenue. This 89-acre site is designated for a regional commercial shopping and entertainment center. The developers received \$20 million of grant money from the Department of Housing and Community Development to finance four parking structures to accommodate tenants of the 620 units of apartments planned as part of the 1.2 million square foot regional shopping center. No major tenants nor the time frame for construction have been announced.

A major landmark in the subject neighborhood is Freeway 180. This is a major east/west freeway that crosses the central section of the metropolitan area providing access to other major north/south freeway systems including Freeways 41 and 99. The freeway is elevated as it crosses over Belmont and Armstrong Avenues and the Fancher Creek Canal. There are freeway on- and off-ramps at Fowler Avenue. This freeway system greatly enhances the transportation network for the southeast area of Fresno and for the subject neighborhood.

Sewer, water and all other public utilities are available to serve properties in the general area. According to the City of Fresno's Public Works Department, there is adequate sewer and water to serve any new developments in the general area of the subject. Sewer is available from the Kings Canyon Road alignment and the Belmont Avenue alignment. A major sewer trunk line was completed several years ago for the purpose of handling a large amount of growth in the southeast sector of Fresno. Water is also available throughout the area.

In summary, the area of the subject properties can best be characterized as a transitional district where land uses are changing from rural and agricultural orientations to more intense urban development. In the past, growth in the southeast Fresno area has been slow compared to other sectors of northern Fresno and Clovis. As demand for production housing has increased throughout the metropolitan area and the supply of land available for development has dwindled in the northern sub-markets, the southeast market area has become a focus for new development and urban expansion. The overall trend throughout the area is to definite improvement with the development of new single family housing tracts, the potential for new regional and community shopping centers, and the business/industrial park. The completion of Freeway 180 to Temperance Avenue has had a very positive impact on development in southeast Fresno. With the collapse of the housing markets and the downturn in the economy, future development and expansion for single family residential, commercial, and light industrial in the southeast area of Fresno will be slow over the next several years, however, as the economy begins to improve, the southeast area will be in a good position to support the future growth needs of the Fresno community.

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**VALUATION OF THE FANCHER CREEK BUSINESS PARK -
42 FINISHED OFFICE/INDUSTRIAL LOTS**

Northwest and Southwest Corners of Belmont and Armstrong Avenues
Fresno, California

APN 313-270-57 to 75 and 77 to 85
APN 310-132-01 to 08 and 310-133-01 to 06

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FANCHER CREEK BUSINESS PARK **42 FINISHED OFFICE/INDUSTRIAL LOTS**

I. PROPERTY LOCATION AND DESCRIPTION:

Fancher Creek Business Park is a 43-lot office/light industrial park that is located at the southeast corner of Belmont and Fowler Avenues and at the northwest corner of Belmont and Armstrong Avenues. The parcels are located across the street (Belmont Avenue) from one another but are separated by the Freeway 180 that is just being completed. The properties are situated in the southeasterly sector of the city of Fresno approximately 5-1/2 miles east of the downtown central business district. The subject of this appraisal is just 42 of the 43 lots. One of the parcels, Lot T, is improved with a warehouse building and is not a part of this appraisal. This parcel will be valued as a separate parcel in Section II of the appraisal report.

II. LEGAL DESCRIPTION:

The appraiser has reviewed a current title report dated August 24, 2012 prepared by First American Title Company. Based on this title report, the following is the legal description for the 42 parcels under appraisal:

Parcels A through S, U through Z, Parcels AA through AQ, Outlots 1 and 2 of Parcel Map No. 2004-36, in the City of Fresno, County of Fresno, State of California, according to the Map thereof recorded in Book 69, Pages 25 through 32 of Parcel Maps, Fresno County Records.

The property has been subdivided into 42 lots as per a Parcel Map Number 2004-36. The property is also identified as Fresno County Assessor's Parcel Numbers:

SEC Fowler & Belmont Aves. : 313-270-57 to 75 and 77 to 85
NWC Belmont & Armstrong Aves. : 310-132-01 to 08 and 310-133-01 to 06

III. STATEMENT OF OWNERSHIP:

County records show title to be vested in the name of Fancher Creek Properties, LLC.



Google earth

feet
km

3000
1

Google earth



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IV. CONDITIONS OF THE APPRAISAL:

Hypothetical Condition: that which is contrary to what exists but is supposed for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (*USPAP 2012-2013, The Appraisal Foundation, 2012, Definitions, pg. U-3*)

There are no hypothetical conditions associated with this appraisal.

Extraordinary Assumption: an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact other wise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (*USPAP 2012-2013, The Appraisal Foundation, 2012, Definitions, pg. U-3*)

There are no extraordinary assumptions associated with this appraisal.

V. PROPERTY ADDRESS:

No address is assigned to the parcels as yet.

VI. REAL ESTATE TAXES:

Article XIII A of the California Tax and Revenue Code states that "properties shall be taxed on their full cash assessed value as of March 1, 1975," the base year lien date. Beyond this date, assessments may be increased only 2 percent per year until the property is sold, substantial new construction occurs, or the use of the property is significantly changed. In such cases, the property assessment may be increased to current market levels.

The 2011/2012 fiscal year is the most recent year for which assessed valuation and property tax information is available. The following is the total assessed values and taxes for the 42 lots in the Fancher Creek Business Park.

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42 Finished Lots - Fancher Creek Business Park

Assessed Value 2011/2012 for:	APN 313-270-57 to 75 & 77 to 85 APN 310-132-01 to 08 & 310-133-01 to 06
Land:	\$2,614,642
Improvements:	0
TOTAL:	\$2,614,642
Tax Rate Area:	005-315
Tax Rate:	\$1.194560/\$100 of Assessed Value
Total Real Estate Taxes	\$35,255.24
Special Assessments:	(Included in Taxes)
Delinquent Taxes:	None

VII. PROPERTY HISTORY:

The subject property has been under the same ownership, Fancher Creek Properties, LLC, since 1999. There have not been any sales or a transfer of any of the properties from the current ownership.

The project is listed by CB Richard Ellis and the lead broker is Mr. Nicholas Audino, SIOR.

VIII. SITE DESCRIPTION:

The following is a brief discussion regarding the physical characteristics:

Location:

The Fancher Creek Business Park is divided into two components. The largest portion of the development is situated at the southeast corner of North Fowler and East Belmont Avenues. This portion of the development contains 29 lots and generally is bounded by Belmont Avenue on the north, Fowler Avenue on the west, Armstrong Avenue on the east, and Fancher Creek Drive on the south.

The smaller portion of the development is situated at the northwest corner of Belmont and Armstrong Avenues and contains a total of 14 lots. This portion of the development is bounded by Belmont Avenue on the south, Armstrong Avenue on the east, and East Harvey Avenue on the north. State Highway Route 180 borders the property on the southwest.

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Thomas Bros. Map Code, Census Tract and A.P.N.:

T.B.M.C.: 1304 B5/C4/C5

C.T. 14.03 (APNs 313-270-57 to 75 and 77 to 85)
58.03 (APNs 310-132-01 to 08 and 310-133-01 to 06)

A.P.N.: SEC Fowler & Belmont Aves. = 313-270-57 to 75 and 77 to 85
NWC Belmont & Armstrong Aves. = 310-132-01 to 08 and 310-133-01 to 06

Size and Shape:

The business park is divided into two sections that have been subdivided into 43 lots. The subject of this appraisal is only 42 lots. The total size of the 42 lots is 69.0 net acres with an average lot size of 71,543 square feet or 1.64 acres. The lots range in size from the smallest at 0.39 acres to 2.49 acres. The table on the *following* page is an overview of the identification and size of the various lots.

On- and Off-Site Improvements:

The subject property is a manufactured business park with off-sites consisting of asphalt paved, interior streets; and concrete curb, gutter, and sidewalk, and street lighting. All of the pads are finished with undergrounds installed.

The project is 100% completed with all the off-site improvements installed.

All of the sites with the exception of Lot T are vacant sites ready to receive building improvements. Lot T is developed with a concrete tilt-up, warehouse/distribution building that contains 102,847 square feet of gross building area. This building was constructed on a build-to-suit basis for Ferguson Enterprises. This parcel is not a part of this portion of the appraisal, but will be valued in Section II of this report.

Utilities:

The subject property can be served by all of the following public utilities which are available in the immediate area. These services and providers are as follows:

<u>Utility</u>	<u>Provider</u>
Water	City of Fresno
Sewage Disposal	City of Fresno
Trash Collection	City of Fresno
Electricity	Pacific Gas and Electric Company
Natural Gas	Pacific Gas and Electric Company
Cable Television	Comcast
Telephone	AT&T
Flood Control	Fresno Metropolitan Flood Control District
Police and Fire	City of Fresno

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Fancher Creek Business Park 42 Finished Lots

Lot	Use (1)	Acres	Square Feet	Corner Lot
A	R/O	2.04	88,852	yes
B	R/O	1.75	76,101	yes
C	R/O	2.08	90,589	yes
D	O	1.15	50,136	no
E	O	1.19	51,808	yes
F	I/O	2.32	100,954	yes
G	I	1.76	76,766	no
H	I	1.61	70,160	no
I	I	2.41	105,181	no
J	I	2.46	107,302	no
K	O	1.8	78,368	no
L	O	1.47	63,943	yes
M	I/O	1.99	86,790	yes
N	I/O	1.19	51,727	yes
O	I/O	1.14	49,475	no
P	I/O	1.49	64,708	no
Q	I/O	1.32	57,627	no
R	I	1.66	72,247	no
S	I	1.77	77,028	no
T (2)	O	0	0	0
U	I	2.49	108,378	yes
V	I/O	2.43	105,847	no
W	O	1.73	75,443	no
X	O	1.73	75,127	no
Y	O	2.04	88,927	no
Z	I	1.91	83,059	no
AA	I	1.64	71,395	no
AB	O	1.47	63,976	no
AC	R	0.39	17,140	no
AD	R	1.54	67,098	no
AE	I/O	1.51	65,773	no
AF	I	2.91	126,937	no
AG	I	1.62	70,396	no
AH	I	1.01	43,941	no
AI	I	0.92	40,083	no
AJ	I	0.92	40,314	no
AK	I	0.91	39,550	no
AL	I	0.94	40,749	no
AM	I	0.96	41,897	no
AN	I	0.83	35,942	no
AO	I	3.3	143,637	no
AP	I	1.53	66,606	no
AQ	I	1.67	72,834	no
		69.00	3,004,811	
Total Lots	42			
Total Acres	69.00	Net Acres		
Avg. Lot Size	71,543	SF		
Avg. Lot Size	1.64	Acres		
(1) Use: Site is better suited for development to the following uses due to location: I = Industrial; O = Office; R = Retail.				
(2) Lot "T" is not a part of the existing inventory for sale.				

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Topography/Drainage:

All of the lots are level to grade and drainage is through the subsoil.

Soils Condition:

A soil's report has not been reviewed; however, soils in the area are of a sandy loam texture and considered to be suitable for building purposes.

Easements:

The appraiser has reviewed a current preliminary title report dated August 24, 2012 prepared by First American Title Company. According to this document, easements affecting the property prior to its development to the 42 lots were for public rights of way, utility street improvements, canals and ditches, and irrigation pipelines. The report indicated the property was also within the jurisdiction of the Fresno Metropolitan Flood Control District. The property does not have any right of access to or from the freeway alignment that abuts the north and south lines of the development.

This appraisal assumes that there are no easements, conditions, covenants, or restrictions that would limit the development or the marketability of the lots within the project.

Streets:

The subject parcels have frontage along North Fowler Avenue, East Belmont Avenue, East Harvey Avenue, North Armstrong Avenue, and Fancher Creek Drive. There are also interior collector streets to serve the various parcels developed in the project. These streets include East Grant Avenue, North Laverne Avenue, East Washington Avenue, North Cyprus Avenue, and East Turner Avenue.

The main arterials serving the parcel are North Fowler and East Belmont Avenues. The collector streets include Armstrong and East Harvey Avenues along with the interior streets. All of the streets are asphalt paved and will be City maintained.

The subject property is bordered by State Route 180. There are on- and off-ramps to the freeway at Fowler Avenue just north of the subject park. The close proximity of this freeway to the subject park enhances the desirability of the lots with respect to access to Freeways 99, 41, and 168.

Access and Exposure:

The subject property has excellent exposure and identity from the previously mentioned arterials and also has excellent access to State Freeway 180, which connects with other freeway and highway systems serving the Fresno/Clovis metropolitan area and the Central Valley.

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Zoning and Annexation:

The subject property is annexed to the City of Fresno and is zoned M-1/BA-15/UGM/cz. M-1 is a Light Manufacturing zone district that is intended to provide for development of industrial uses which do not create obnoxious or excessive noise, smoke, gas, order, etc. The M-1 district is consistent with the underlying land use designation.

The BA-15 designation identifies the property as lying within a Boulevard Area, which is an overlaying zone district that provides for special land development standards for certain designated streets and properties adjacent to these streets. Those lots in the subject project along the major surface streets, Belmont and Armstrong Avenues, have 15-foot landscape setback requirements.

The UGM indicates that the property is located in an Urban Growth Management district which will require the developer to pay development fees to help offset the infrastructure needed to support the subject development. These fees are not paid until the development commences.

The “cz” designation identifies the property as having special conditions of zoning. These special conditions relate to the subject’s proximity to the Fresno Yosemite International Airport. There are three conditions of zoning, which are as follows:

1. A covenant must be recorded that states the owners and owners’ successors of interest understand that the property lies close to the airport and that the operations of the airport may generate noise that will affect the habitability and quiet enjoyment of the property;
2. An aviation easement must be dedicated to the City of Fresno;
3. The owners must covenant to accept and acknowledge the operation of the airport facilities. The above easements, covenants, conditions and restrictions shall run with the land and shall be binding upon the present and subsequent property owners.

These conditions of zoning are not considered to have any adverse impact on the development of office and/or light industrial building improvements.

Parcel Map Approval:

The subject property has an approved Vesting Tentative Parcel Map No. 2004-36. The map was approved by the Fresno City Council on January 14, 2005.

Environmental Conditions:

Toxic or Hazardous Waste: The appraiser has no expertise with respect to toxic wastes, hazardous materials or undesirable substances. Proper inspections of the property by qualified experts should be undertaken at the client's request to determine whether or not there are any current or potential toxic wastes, hazardous materials or undesirable substances in or on the property. The appraiser has not made, nor will make, any representations, either express or implied, regarding the existence or nonexistence of toxic wastes, hazardous materials, or

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undesirable substances in or on the property. Problems involving toxic wastes, hazardous materials, or undesirable substances can be extremely costly to correct. It is the responsibility of the client or recipient of this report to retain qualified experts to deal with the detection and correction of such matters.

Earthquake Hazard: The subject is **not** located in a special study zone as set forth by the Alquist-Priolo Special Studies Zones Act of December 22, 1972, which went into effect March 7, 1973. This act pertains to properties that are located in active earthquake areas.

Significant Natural, Cultural, Recreational or Scientific Value: The subject property is **not** located in an area that has any natural, cultural, recreational or scientific significance.

Flood Hazard: Portions of the subject property are located in Flood Zones “X”, “AH” and “AO” according to FEMA Community Panels #06019C1595H, dated February 18, 2009; and #06019C2135H, dated February 18, 2009. The property located in Zone “X” is not considered to be within a designated flood hazard area. The property located in Flood Hazard Zones “AH” and “AO” is considered to be within designated flood hazard areas.

Wetlands: The subject property is **not** located in an area designated as a wetlands area.

IX. IMPROVEMENTS DESCRIPTION:

There are no building improvements on any of the 42 lots that are the subject of this appraisal. One lot, Parcel T, has been developed with a concrete tilt-up, warehouse/distribution building that contains 102,847 square feet of gross building area. The building was constructed on a build-to-suit basis for Ferguson Enterprises. Lot T is not a part of this appraisal.

X. FRESNO INDUSTRIAL MARKET OVERVIEW:

According to an industrial market study prepared by Grubb & Ellis / Pearson Commercial’s research department for the 1st quarter of 2012, the industrial market in Fresno is considered to be coming back to life as leasing activity has increased across most product types. However, vacancy rates have increased to 9.6% as of the first quarter of 2012. This is the highest vacancy rate since 2010 at which time the vacancy rate was 10.4%. There has also been a substantial increase in the number of properties available for lease or sublease. The balance between demand and supply has impacted effective rents as well. On the positive side, the lower rents are benefitting tenants who are looking for new space or renewing or extending their leases, but is negatively impacting landlords who are having to make aggressive proposals to secure deals. The tenants are currently able to demand increased tenant improvement allowances, free rent, shorter lease terms, and lower rent increases or flat rents over the lease term. Some property types such as large logistic spaces, manufacturing space, rail served properties, and small dock-high suites remain in relatively short supply and are not experiencing the same downward pressure on rents or values. However, higher vacancy rates and the soft rental market continues to reduce the financial feasibility for the development of new spec warehouse and light industrial space throughout the Fresno market.

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The following is an overview of the vacancy rates for Fresno’s industrial market between 2002 and the first quarter of 2012:

Vacancy Rates - Fresno Industrial Market											
<i>Period:</i>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	<i>1st Qtr 2012</i>
Average Vacancy Rate – NW, NE, SW & SE Submarkets of Fresno	7.4%	6.1%	10.7%	8.6%	6.1%	6.3%	7.4%	8.4%	10.4%	9.50%	9.60%
Source: <i>Industrial Market Trends – Fresno</i> , Grubb & Ellis/Pearson Commercial											

The subject property is located in the southeast sector of Fresno and would be associated with the southeast industrial submarket. The southeast and southwest industrial submarkets make up the largest inventory of industrial space, 36,820,805 square feet or 57.3% of Fresno’s total industrial inventory. The following is an overview of the vacancy rates for these two submarkets for the last six-year period:

Vacancy Rates - Southeast and Southwest Submarkets							
<i>Submarkets</i>	<i>3rd Qtr 2006</i>	<i>3rd Qtr 2007</i>	<i>3rd Qtr 2008</i>	<i>3rd Qtr 2009</i>	<i>3rd Qtr 2010</i>	<i>3rd Qtr 2011</i>	<i>1st Qtr 2012</i>
Southeast Submarket (Subject)	6.4%	8.3%	8.4%	10.7%	11.4%	10.1%	10.0%
Southwest Submarket	5.7%	9.4%	7.4%	7.6%	10.6%	9.0%	10.6%
Source: <i>Industrial Market Trends – Fresno</i> , Grubb & Ellis/Pearson Commercial							

The Southeast and Southwest industrial submarkets have the second highest vacancy rates; however, these submarkets have the largest inventory of industrial and warehouse space. Because of this, the vacancy rate tends to be higher due to the larger base of space in relation to the other submarkets which have much lower inventories of buildings for lease. Several industrial brokers that were contacted by the appraiser indicated that the leasing activity is picking up and there is more activity than there has been over the last several years. A major warehouse developer indicated he is seeing more interest from prospective tenants and even several new companies have moved into the Fresno area.

Rental rates for industrial/distribution space in the Fresno area remained fairly stable from 2001 through 2004, but started to show a substantial increase beginning in 2005 through 2007. Currently, the average rental rate for second generation distribution space in the southeast and southwest submarkets of Fresno ranges from \$.25 to \$.32 per square foot per month triple-net. The newer Class “A” warehouse/distribution space is being marketed at rents from \$.30 to \$.35 per square foot per month triple-net. A new 100,000 square foot build-to-suit warehouse building that is being developed for FedEx was leased at approximately \$.50 per square foot per month triple-net. However, the building is being developed on a 20-acre parcel that resulted in the higher rental rate. Rental rates in the Fresno market are beginning to firm after going through a decline due to the recessionary economy.

According to several investor surveys, investor demand for warehouse/distribution properties has been strong, however, the total sales volume for industrial assets in the western region of the county was down 23% as of the mid-year 2012. The reduced volume is due to the lack of quality assets available for sale. The increased demand for quality properties has pushed yields down which has resulted in buyers looking to secondary markets for higher returns. Based on a recent investor survey (3rd quarter

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2012) prepared by PWC, the following is an overview of the overall capitalization rates and property yield rates required by investors for warehouse properties over the past three years. As indicated from these trends, the overall rates and discount rates are beginning to return to the pre-recession era. However, the rates are for Class “A” product in core markets and would require an upward adjustment to reflect yield requirements for product in a non-core market such as Fresno.

National Trends in Overall Capitalization & Property Yield Rates Industrial/Warehouse Properties				
<i>Period:</i>	<i>3rd Qtr 2012</i>	<i>3rd Qtr 2011</i>	<i>3rd Qtr 2010</i>	<i>3rd Qtr 2009</i>
OAR	7.13%	7.45%	8.38%	6.63%
Yield Rate	8.00%	8.54%	9.28%	7.77%
Source: <i>Korpacz Real Estate Investor Survey</i> , PriceWaterhouseCoopers				

The trend for property values will be stable to improving due to the compression in yield rates over the near term. Industrial values in Fresno for Class “A” properties will remain flat to slightly increasing as the economy improves and investors begin to look at secondary markets for higher returns.

With respect to the development and sales of vacant industrial lots, there are not any projects being marketed similar to the subject property. There is one developer in the Fresno area that specializes in subdividing larger acreage into smaller industrial lots and then constructing office/warehouse buildings that range in size from 5,000 to 15,000 square feet and marketing these to owner/users. The developer/builder is Don Pickett who has constructed several of these developments near the Fresno Yosemite International Airport and also in the northwest sector of the city of Fresno. Mr. Pickett has been very successful in marketing smaller industrial buildings based on this development concept. He does not sell lots and will only sell a completed building to an owner/user or an investor. Most of Mr. Pickett’s developments are built-out and according to the developer, he is not in the process of creating any new subdivisions at this time. The only other development that could be competition to the subject is a 20-acre block of land located along Fowler Avenue between Shields and Clinton Avenues on the east side of the airport. This property is situated several miles north of the subject property. The parcel is owned by a local housing developer, Mr. Farid Assemi of Granville Homes. This project has been improved with off-sites but, according to a representative of the company, they do not plan to market any lots due to the current economic conditions.

The other major warehouse developer in the Fresno area is Mr. John Brelsford of Diversified Development Group. Mr. Brelsford controls a large amount of land holdings but does not sell any lots to the owner/user or development market. Mr. Brelsford controls the land for his own development purposes. Another development entity in the Fresno area that controls a sizeable portion of real estate is Parnagian Enterprises which is developing an industrial park known as North Pointe Business Center located at the southwest corner of North and Orange Avenues in the southwest industrial sector of the city of Fresno. The property is a 230-acre master planned business park with the first phase consisting of 11 lots totaling 68.45 acres. Upon completion, the business park will consist of 22 buildings totaling 1,200,000 square feet. The first phase was started in 2006 and currently 5 buildings totaling 311,000 square feet have been constructed on 5 of the 11 lots. Twenty-one acres have been absorbed indicating an average absorption over the last 6 years of 3.53 acres per year. The developers of the project will

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not sell any lots but only develop the parcels with good quality, concrete tilt-up, warehouse/distribution buildings for the rental or sale markets. Therefore, the project is not considered to be in competition with the subject as a lot sale development. However, the business park is considered competitive with respect to providing finished sites for build-to-suit and "spec" for lease projects.

Because of the lack of industrial subdivisions that have been developed for lot sale purposes, an absorption rate cannot be quantified from the market.

Considering the lack of available manufactured lot inventory for office and light industrial projects in the southeast sector of Fresno, the subject property should have reasonable appeal for the owner/user and the build-to-suit markets providing the lots are not over priced. The property owners also plan to construct some speculative warehouse/distribution space on some of the lots, however, this may be difficult to accomplish considering the current lending environments. Lenders are not interested in providing loans for "spec" industrial developments without substantial preleasing in place.

Considering the property's location, which is adjacent to a major highway system that will connect with other highway and freeway systems serving the Fresno/Clovis metropolitan area, the subject property should be able to be absorbed within a six- to seven-year period. Based on a six and one-half-year absorption time frame, this would equate to a sellout of approximately 10.6 acres per year. This would equate to an overall average of approximately $6.5\pm$ lots per year based on the average lot size of 1.64 acres. The absorption is higher than the absorption that has been taking place in the North Pointe Business Park, which has averaged 3.5 acres per year over the last six years. A higher absorption for the subject is considered reasonable since the owners of the North Pointe Business Park will not sell lots to owner/users or investors but want to build-out the lots with "spec" for lease or build-to-suit buildings for their own account. This development method will typically result in a slower lot absorption.

With the slowdown in the economy, the difficulty in obtaining financing, and the forecast for a slight to moderate increase in the absorption of warehouse and office space in the Fresno market, an absorption time frame of six and one-half years is considered a reasonable sellout period. This absorption period assumes the lots are listed at a reasonable market level.

XI. HIGHEST AND BEST USE:

The term "*Highest and Best Use*," as used in this report is defined as follows:

"The reasonably probable and legal use of vacant land or an improved property, 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." (The Dictionary of Real Estate Appraisal, 5th Edition, Chicago: Appraisal Institute, 2010, page 73)

The above definition applies specifically to the highest and best use of land or sites as though vacant. When a site contains improvements, the highest and best use may be determined to be different from the existing use. The existing use will continue unless and until land value in its highest and best use exceeds the sum of the value of the entire property in its existing use and the cost to remove the improvements.

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In determination of the highest and best use of both the land as though vacant and property as if improved, four criteria must be met. They are as follows:

1. Legal Permissibility: Zoning restrictions are highly important factors when considering potential uses. If a particular use is restricted by law to a property, the property is not available for that particular use.
2. Physical Possibility: This criterion will take into consideration size, shape, area and terrain of the parcel.
3. Financial Feasibility: Those uses that meet the preceding criteria will be analyzed further to determine which uses will produce a positive return above operating expenses, financial obligation and capital amortization. At this point in time, the appraiser will consider the supply and demand forces which influence the possible uses.
4. Maximum Productivity: Those uses which produce a positive rate of return are analyzed further to determine which will produce the highest rate of return.

The subject property consists of 42 manufactured lots that are being offered for sale for the development to commercial, office, and light industrial developments. In analyzing the property as to the highest and best use as vacant, the four criteria as outlined above has been considered.

Each of these criterion will be discussed as follows:

Highest and Best Use As Vacant:

1. Legal Permissibility: The subject property is annexed to the City of Fresno and is zoned M-1/BA-15/UGM. This is a light manufacturing district which, as stated in Section 12-226 of the Fresno City Municipal Code, "is intended to provide for the development of industrial uses which include fabrication, manufacturing, assembly or processing of materials that are in already processed form and which do not in their maintenance, assembly, manufacture or plant operations create smoke, gas, dust, sound, vibration, soot or lighting to any degree which might be obnoxious or offensive to persons residing in or conduct business in either this or any other district." This zoning is consistent with the underlying land use designation of business park land use as set forth in the 2005 General Plan. Single family or multifamily development is prohibited under this zone district. Thus, the only legally permissible use under this zoning designation would be for limited commercial, office or light industrial uses.

The zoning carries a UGM zone designation, which identifies the property as lying within an Urban Growth Management district and which requires the payment of fees to help offset the infrastructure needed to support the planned development. The zoning also carries a BA-15 suffix which identifies the property as being part of a Boulevard Area overlay district, which sets forth specific development standards and criteria for properties along the route of the scenic boulevard.

The property has a recorded Parcel Map 2004-36, which permitted the development of the property to a 43-lot industrial/business park. The existing lots are consistent with the

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requirements of the M-1 zone district and the recorded parcel map as to lot size, shape, and density of development.

2. Physical Possibility: There are no known physical constraints that would prohibit or hinder development of the subject lots. The lots are served by all normal city and public utilities that are available in the area. The shape and topography of the lots would not create any difficulties in constructing typical commercial, office or light industrial improvements. The sizes of the lots are large enough to accommodate these uses and could be combined to accommodate various building sizes.
3. Financial Feasibility: Vacancy rates for warehouse and light industrial properties in the southwest and southeast industrial sectors of Fresno range from 10.6% to 10.0%, respectively. The total overall vacancy rate for the Fresno market is 9.6%. The vacancy rates are as of a 1st quarter 2012 industrial survey prepared by Grubb and Ellis/Pearson Commercial. The office market vacancies in the airport area are currently 20.9% as per a 3rd quarter 2012 survey prepared by Grubb and Ellis/Pearson Realty. The overall average office vacancy in the city of Fresno is currently 15.3% for the suburban office submarkets. The high overall vacancy rates for the office market in the airport submarket would limit any potential for “spec” office development in the subject park. However, the warehouse vacancy rates are at a level that would support some “spec” lease warehouse development providing a substantial amount of preleasing could be achieved prior to construction.

Feasible rental rates for new warehouse and distribution space as well as office space are not high enough to justify construction of building improvements. The extended absorption period for lease-up would also have a negative impact on any proposed spec-for-lease developments.

Due to the slowdown in the development and leasing of new commercial, office, and light industrial space that has occurred in the southeast sector of Fresno, it is the appraiser’s opinion that the lot sales in industrial parks will remain slow which will increase the absorption period for any new lot sale projects. The extended absorption periods will have a negative impact on the cash flows generated from the lot sales due to the time value of money. Thus, the cumulative value of the discounted cash flows would result in a present value that would be lower than the cost to produce the lots. This would indicate a proposed lot sale development would not be financially feasible at this point in time. Thus, it is not likely there will be any new lot sale developments produced in the Fresno area over the next 10 years.

4. Maximum Productivity: The maximum return to the land would be generated by developing the property with a light industrial business park at a time when the economy is substantially improved and there is a market for this product type.

Conclusion: It is the appraiser’s opinion that if the subject site was vacant, unimproved land that the highest and best use would be for its future development to a light industrial park similar to the one that has been constructed. However, due to the weak economy, the lack of financing for “spec” building projects, and the reduced demand by businesses for new commercial, office and industrial space reduces the need to convert industrial zoned raw land into finished lots at this time. However, since the Fancher Creek Business Park has been completed and offers 42 lots available for sale, the investment in the

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infrastructure has been made and the highest and best use will be for the continued marketing of the project to owner/users and “spec” builders.

XII. VALUATION METHODOLOGY:

There are three generally accepted approaches available in the valuation of real property. They are the Sales Comparison, Cost and Income Approaches. In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality of information available.

The Final Estimate of value considers the result of each approach used in this report. If more than one approach has been found applicable to the subject property, a correlation of indicated values will be performed to establish a final value.

Sales Comparison Approach:

DEFINITION: "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 data are available. (The Dictionary of Real Estate Appraisal, 5th Edition, Chicago: Appraisal Institute, 2010, page 175)

The Sales Comparison Approach to value utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject property. This is done for both land and improved property. Valuation is often accomplished using a unit of comparison such as price per square foot, price per unit, gross or net rent multipliers. Adjustments are applied to the unit of comparison from the comparable sales, and the unit of comparison chosen for the subject is then used to yield a total value.

Cost Approach:

DEFINITION: "A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised." (The Dictionary of Real Estate Appraisal, 5th Edition, Chicago: Appraisal Institute, 2010, page 47)

The Cost Approach to value estimates the replacement cost of all improvements. Improvement costs are then depreciated to reflect value loss from physical, functional and economic causes. The land value is then added to the depreciated improvement costs to indicate a total value.

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Income Approach:

DEFINITION: "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 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." (The Dictionary of Real Estate Appraisal, 5th Edition, Chicago: Appraisal Institute, 2010, page 99)

This approach can be computed by two different methods. One is the Direct Capitalization Method, wherein the format is to determine the income producing capacity of the property on a stabilized basis by estimating market rent, making deductions for vacancy and collection losses and building expenses, then directly capitalizing the net income at a market-derived rate to arrive at an indication of value. The overall capitalization rate is an income rate which represents the relationship between net income and value as determined in the market.

The other is the Yield Capitalization Method, which uses the discounting procedure to convert future benefits, net cash flows and reversion, to a present value on the premise of a required level of profit or rate of return on invested capital.

Depending upon the property type and investment qualities of the property, either one or both of these methods may be used in the Income Approach section of the appraisal.

Since the purpose of this appraisal is to provide a bulk sale value of the 42 manufactured lots, the appraiser has used the Sales Comparison Approach to develop a current retail market value for the individual lots and an Income Approach using a discounted cash flow analysis to develop the "as is" bulk sale market value. The retail lot values were not combined or aggregated into a total retail value since this is not considered to represent a market value. The retail value for the individual sites was used strictly to develop a bulk sale value by a discounted cash flow analysis. The Cost Approach was not considered in the valuation process.

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XIII. PROPERTY VALUATION – FINISHED LOT SALES:

To value the existing tract on a finished lot basis, the appraiser relied on the Sales Comparison and Income Approaches. These different approaches reflect different valuation scenarios for the existing project. The Sales Comparison Approach was used to value the existing lots on an individual retail basis. Lot sales in other office/industrial business parks and miscellaneous lot sales in the Fresno/Clovis area were compared to the subject lots and adjustments were made for various elements of comparison to form an opinion of the retail value for the individual lots. The retail prices were used to value the existing project on a bulk or whole sale basis. The Cost Approach was not used since the project is developed and the feasibility of whether or not to develop the project from a raw land state is not the function of this report. The Income Approach was used to develop an opinion of the bulk sale value for the entire project. The bulk or wholesale value of the project is based on the premise of a single buyer purchasing in one transaction all 42 lots in the business park.

A. Sales Comparison Approach:

The appraiser has used the Sales Comparison Approach to value the individual lots within the project. The values reported for the lots represent the individual retail values for each lot. These retail prices will be used to value the subject project on a bulk or wholesale basis.

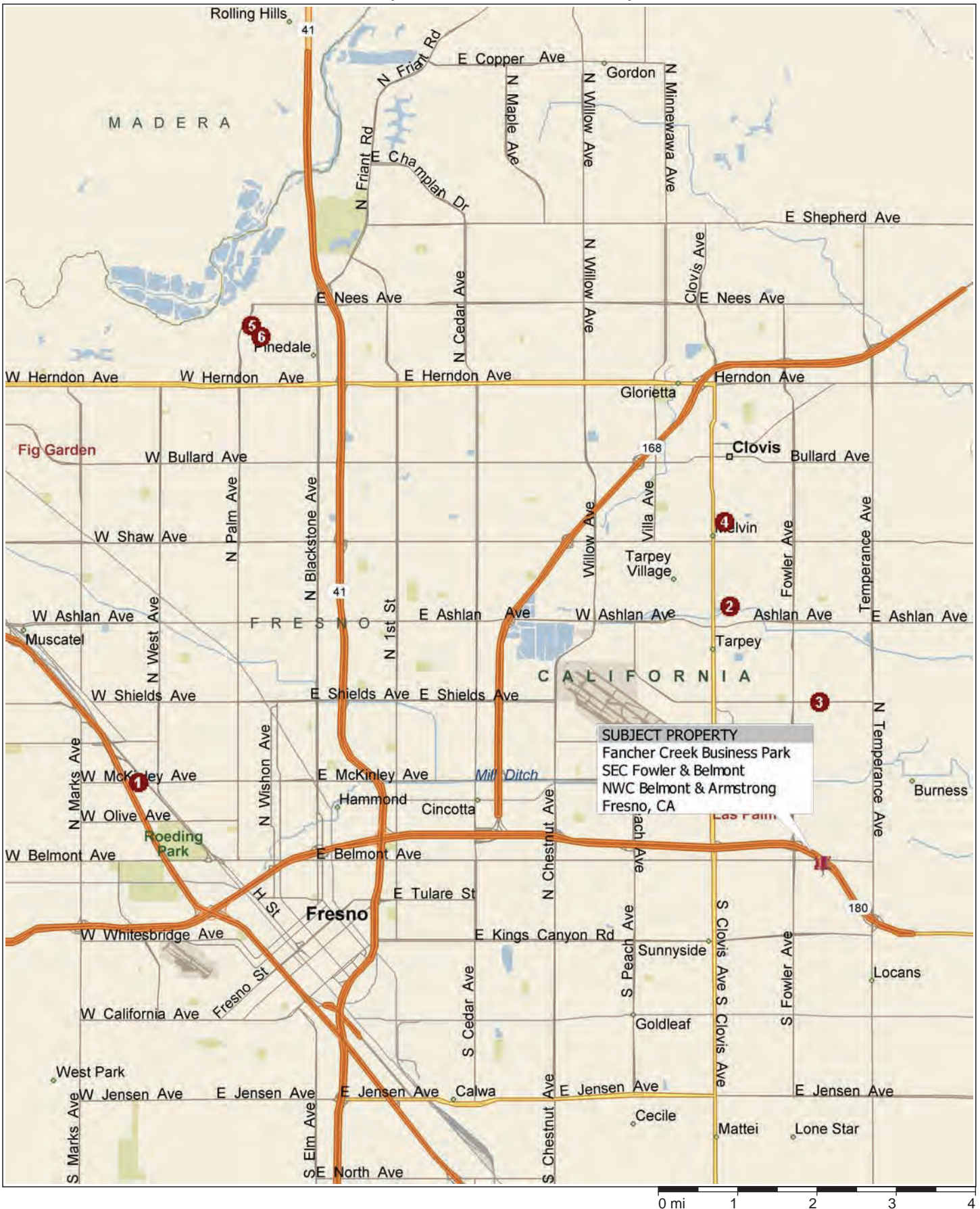
A search was conducted for recent sales of finished sites and developed office/industrial parks in the Fresno/Clovis area and also for individual improved sites sold in various industrial sectors of Fresno.

On the *following* page is a table entitled “Fancher Creek Business Park - Comparable Lot Sales” showing the most recent light industrial lot sales that have occurred in the Fresno/Clovis area. It should be noted that due to the recessionary economy that has impacted the Fresno area, there has been a very limited number of lot sales that have occurred over the past three years.

FANCHER CREEK BUSINESS PARK
Comparable Lot Sales

Sale No.	Location APN	Sale Date	Sales Price Terms	Size S.F. Size Acres	Price/S.F. Price/AC.	Zoning	Off-Sites On-Sites Utilities	Grantor Grantee Document No. Exposure Time	Bonds
1	1724 W. McKinley Fresno, CA Fresno County 442-122-31, 32	Jun-09	\$577,500 Market	75,184 1.73	\$7.68 \$334,591	M-1 Light Industrial	None Vacant land All available	Stollenberg - Cross Properties Young Holdings 09-089026 180 days	None
2	SEC Holland & Phillips Fresno, CA Fresno County 499-421-10	Jan-10	\$87,000 Market	15,246 0.35	\$5.71 \$248,571	M-1 Light Industrial	Curb, gutter Vacant land All available	David Bron Steven & Debora Siebert 10-009618 n/a	None
3	S/L of E. Shields Ave., West of N. Burl Ave. Fresno, CA Fresno County 310-740-10	Sep-12	\$318,685 Market	67,518 1.55	\$4.72 \$205,603	M-1 Light Industrial	Curb, gutter Vacant land All available	Derr Armstrong & Kevin Land n/a - Escrow n/a - Escrow n/a - Escrow	None
4	904 San Jose Ave. Clovis, CA Fresno County 498-032-43S	Sep-10	\$215,000 Market	57,499 1.32	\$3.74 \$162,879	M-1 Light Industrial	Curb, gutter Vacant land All available	Angelo Gonzales Joey Delecca 10-128417 n/a	None
5	7511 N. Remington Ave. Fresno, CA Fresno County 405-546-05	Aug-10	\$500,000 Market	35,719 0.82	\$14.00 \$609,760	C-M Commercial Manufacturing	Curb, gutter, street lights Vacant land All available	Sean Clines Dal Pezzo Enterprises LLC 10-105598 N/A	None
6	7589 N. Wilson Ave. Fresno, CA Fresno County 405-530-15	Oct-10	\$430,000 Market	30,492 0.70	\$14.10 \$614,286	C-M Commercial Manufacturing	Curb, gutter, street lights Vacant land All available	MVFS Smith Bryant Property Co. 10-146839 2 Months	None

Comparable Lot Sales Map



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Land Sale No. 1

Property Identification

Record ID	1744
Property Type	Light Industrial
Property Location	1724 W. McKinley
City	Fresno
County	Fresno
State	CA

Site Data

APN	442-122-31, 32
Land Area SF	75,184
Land Area AC	1.726
Topography	Level
Utilities	All available
Zoning	M-1 Light Industrial
Off-Sites	Curb, gutter
On-Sites	Vacant land

**PARCEL MAP
NOT AVAILABLE**

Sale Data

Grantor	Stollenberg - Cross Properties
Grantee	Young Holdings
Sale Date	June, 2009
Document No.	09-089026
Property Rights	Fee Simple
Marketing Time	180 days
Conditions of Sale	Market
Financing	All Cash
Confirmed By	Peter S. Cooper
Sale Price	\$577,500

Units of Comparison

Sale Price/SF	\$7.68
Sale Price/AC	\$334,591

Remarks

Two parcels forming a 75,184 square foot rectangular-shaped property located on the northerly line of West McKinley Avenue between Freeway 99 and Golden State Boulevard (Old Highway 99) sold in June of 2009 for \$577,500 all-cash.

The property was zoned M-1, a light industrial zoning designation. The property had all utilities available. No on-sites were installed.

Analysis of the sale indicates the property was acquired on the basis of \$7.68 per square foot of land area.

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Land Sale No. 2

Property Identification

Record ID 1745
Property Type Light Industrial
Property Location SEC Holland & Phillips
City Fresno
County Fresno
State CA

Site Data

APN 499-421-10
Land Area SF 15,246
Land Area AC 0.350
Topography Level
Utilities All available
Zoning M-1 Light Industrial
Off-Sites Curb, gutter
On-Sites Vacant land



Sale Data

Grantor David Bron
Grantee Steven & Debora Siebert
Sale Date January, 2010
Document No. 10-009618
Property Rights Fee Simple
Marketing Time n/a
Conditions of Sale Market
Financing All Cash
Confirmed By Peter S. Cooper
Sale Price \$87,000

Units of Comparison

Sale Price/SF \$5.71
Sale Price/AC \$248,571

Remarks

A vacant 15,246 square foot industrial zoned lot was acquired in January of 2010 for \$87,000 or \$5.71 per square foot of land area. This property is located in a small industrial park situated north of the Fresno Yosemite Intl. Airport. The park is approximately 90% built out with office/warehouse properties. The park has average appeal.

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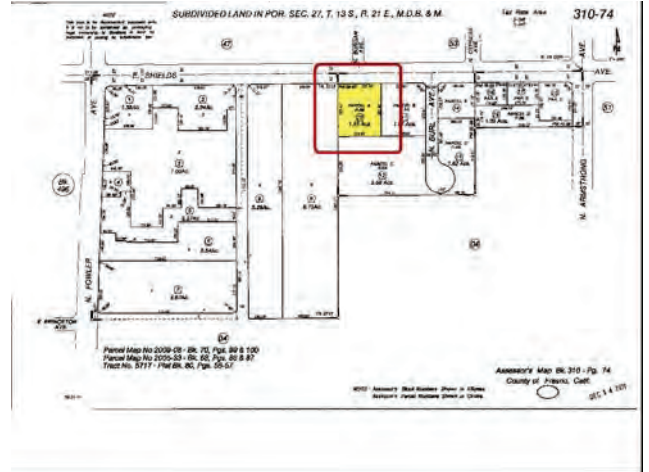
Land Sale No. 3

Property Identification

Record ID 1746
Property Type Light Industrial
Property Location S/L of E. Shields Ave., west of N. Burl Ave.
City Fresno
County Fresno
State CA

Site Data

APN 310-740-10
Land Area SF 67,518
Land Area AC 1.550
Topography Level
Utilities All available
Zoning M-1 Light Industrial
Off-Sites Curb, gutter
On-Sites Vacant land



Sale Data

Grantor Derr Armstrong & Kevin Land
Grantee n/a - Escrow
Sale Date September, 2012
Document No. n/a - Escrow
Property Rights Fee Simple
Marketing Time n/a - Escrow
Conditions of Sale Market
Financing To be all cash
Confirmed By Peter S. Cooper
Sale Price \$318,685

Units of Comparison

Sale Price/SF \$4.72
Sale Price/AC \$205,603

Remarks

A vacant parcel of land located in a smaller light industrial/office development was sold to an owner-user who will be developing an office building.

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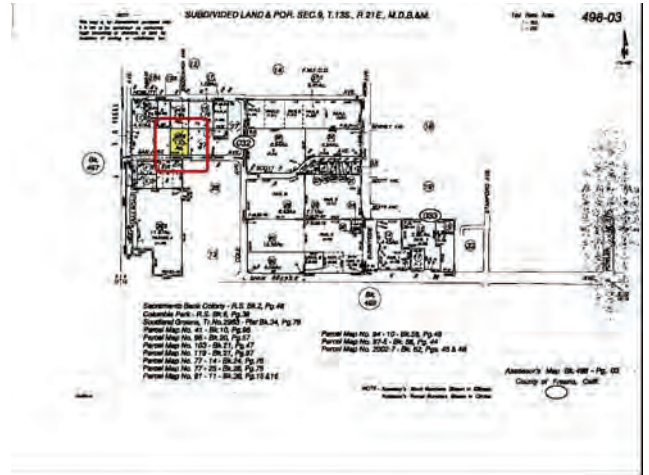
Land Sale No. 4

Property Identification

Record ID 1747
Property Type Light Industrial
Property Location 904 San Jose Ave.
City Clovis
County Fresno
State CA

Site Data

APN 498-032-43S
Land Area SF 57,499
Land Area AC 1.320
Topography Level
Utilities All available
Zoning M-1 Light Industrial
Off-Sites Curb, gutter
On-Sites Vacant land



Sale Data

Grantor Angelo Gonzales
Grantee Joey Delecca
Sale Date September, 2010
Document No. 10-128417
Property Rights Fee Simple
Marketing Time n/a
Conditions of Sale Market
Financing All Cash
Confirmed By Peter S. Cooper
Sale Price \$215,000

Units of Comparison

Sale Price/SF \$3.74
Sale Price/AC \$162,879

Remarks

The sale property was acquired by an owner-user.

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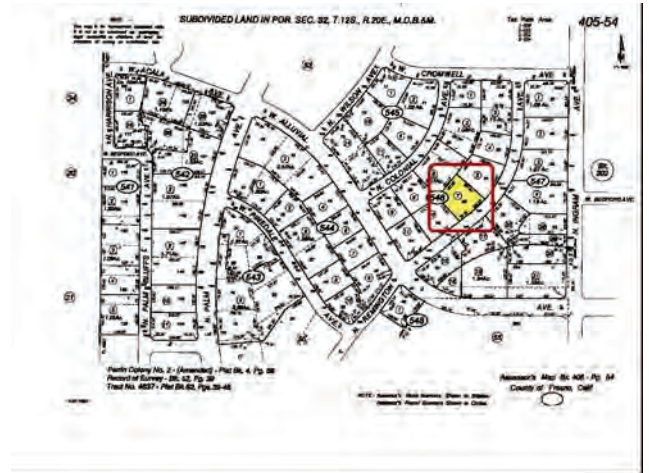
Land Sale No. 5

Property Identification

Record ID 1614
Property Type Office
Property Location 7511 N. Remington Ave. W/L of
Remington betw Cromwell and
Alluvial
City Fresno
County Fresno
State CA

Site Data

APN 405-546-05
Land Area SF 35,719
Land Area AC 0.820
Topography Level
Utilities All available
Zoning C-M Commercial/Manufacturing
Off-Sites Curb, gutter, street lights
On-Sites Vacant land



Sale Data

Grantor Sean Clines
Grantee Dal Pezzo Enterprises LLC
Sale Date August, 2010
Document No. 10-105598
Property Rights Fee Simple
Marketing Time N/A
Conditions of Sale Market
Financing All Cash
Confirmed By Peter S. Cooper
Sale Price \$500,000

Units of Comparison

Sale Price/SF \$14.00
Sale Price/AC \$609,760

Remarks

An irregular-shaped parcel located on the west line of North Remington Avenue between Cromwell and Alluvial Avenues in the Palm Bluffs Corporate Park was acquired in August of 2010 for \$500,000 all-cash.

The parcel contains 35,719 square feet or .82 acres. The parcel is zoned C-M, which is a commercial/manufacturing zoning designation.

The parcel had concrete curb, gutter, and street lights installed along the Remington Avenue alignment and could be served by all normal city and public utilities that are available in the immediate area. All utilities are underground.

The broker indicated that the buyer intends to hold the property for investment purposes. The property was not involved in a 1031 exchange, nor were there any conditions of sale or concessions.

Analysis of the sale indicates the property was acquired on the basis of \$14.00 per square foot of land area.

The site can accommodate a total building area of 8,930 square feet indicating the property was acquired on the basis of \$15.99 per square foot of building area.

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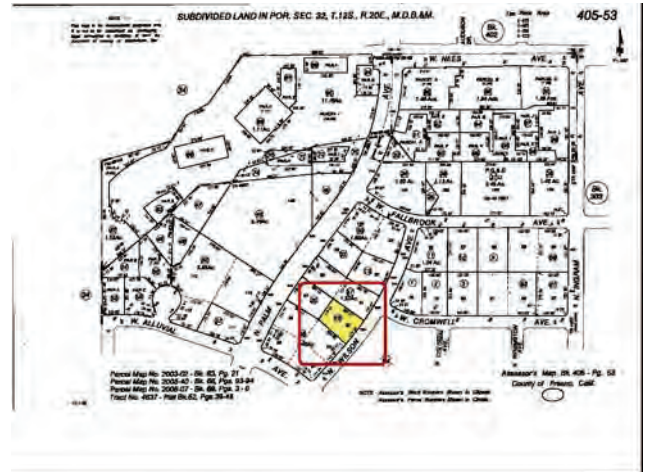
Land Sale No. 6

Property Identification

Record ID 1649
Property Type Office
Property Location 7589 N. Wilson Ave. Palm Bluffs
Office Park
City Fresno
County Fresno
State CA

Site Data

APN 405-530-15
Land Area SF 30,492
Land Area AC 0.700
Topography Level
Utilities All available
Zoning CM Commercial/Mfg
Off-Sites Curb, gutter, street lights
On-Sites Vacant land



Sale Data

Grantor MVFS
Grantee Smith Bryant Property Co.
Sale Date October, 2010
Document No. 10-146839
Property Rights Fee Simple
Marketing Time 2 Months
Conditions of Sale Market
Financing All Cash
Confirmed By Peter S. Cooper
Sale Price \$430,000

Units of Comparison

Sale Price/SF \$14.10
Sale Price/AC \$614,286

Remarks

The parcel is located along the west line of Wilson Avenue just south of Fallbrook Avenue in the Palm Bluffs Corporate Center. The property is vacant land with all off-sites installed and all utilities available. The site is zoned C-M, a commercial/manufacturing zoning designation that will allow for office developments. The parcel is located in the Palm Bluffs Corporate Center, a 200-acre office park that has been under development with average quality office building projects over the past 10 years. Development of new office projects has come to a standstill due to the recessionary economy that has curtailed any new office projects in the Palm Bluffs Office Submarket. The property was acquired for future development.

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Summary and Reconciliation of the Light Industrial Finished Lot Sales:

The sale properties were compared to the subject and adjustments were made for various elements of comparison such as property rights conveyed, financing, conditions of sale, date of sale, location, physical characteristics, zoning/highest and best use, market appeal, freeway access, and an adjustment was also made as to whether or not the properties were encumbered by improvement bonds. On the *following* page is a quantitative adjustment grid showing the adjustments made to each of the sales. Each of the elements of comparison will be discussed as follows:

Property Rights Conveyed: All of the sales involved the transfer of fee simple interests; and since this is the same estate being appraised for the subject, no adjustments were warranted.

Financing: All of the sales were considered to be all-cash transactions; therefore, no adjustments were warranted.

Conditions of Sale: All of the sales were considered to be arm's-length market transactions; therefore, no adjustments were warranted.

Date of Sale: The subject property is being valued as of October of 2012.

Sale 1 occurred in June of 2009. It is the appraiser's opinion that this sale should receive a downward adjustment since property prices were still declining during that time frame to the present.

Sales 2-6 were considered to be current transactions, therefore, no adjustments were warranted.

Location: The subject property is located in the southeast sector of Fresno.

Sales 1, 2, 3, and 4 were considered to have inferior locations to that of the subject, thus, an upward adjustment ranging from 20% to 30% was applied to each of these sales.

Sales 5 and 6 were located in the Palm Bluffs Corporate Park that is situated in the northwest sector of Fresno. This location is considered to be superior to the subject, thus, a downward adjustment of 30% was applied to each of these transactions.

Parcel Size: The parcels range in size from 17,140 square feet to 143,637 square feet of land area.

The comparable sales ranged in size from 15,246 square feet to 75,184 square feet. It is the appraiser's opinion that no adjustment for size was warranted.

On-Site Improvements: The subject parcels are vacant land.

All of the sales were vacant parcels, therefore, no adjustments were warranted.

Off-Site Improvements/Utilities: The subject property has all have off-site improvements in place and all utilities are available.

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The comparable data also had all off-sites installed and all utilities were available, therefore, no adjustments were warranted.

Zoning/Highest and Best Use: The subject property is zoned for light industrial development that will permit office and warehouse/distribution and some light manufacturing uses. A portion of the property could also be improved with retail improvements.

It is the appraiser's opinion that all of the sale properties have similar zoning characteristics, therefore, no adjustments were warranted.

Market Appeal: The subject property has average to good market appeal due to its location in the southeast sector of Fresno and its proximity to Freeway 180.

Sales 1-4 were considered to have inferior market appeal, thus, an upward adjustment ranging from 10% to 25% was applied to each of the sales.

Sale 4 was considered to have the least desirable market appeal, thus, it was assigned a higher upward adjustment.

Sales 5 and 6 were located in the Palm Bluffs Corporate Park and have a much superior market appeal than the subject's location, therefore, a downward adjustment of 15% was applied.

Freeway Access: The subject property has good freeway access.

Sales 1, 2, 5, and 6 also have good access to highway and freeway systems, thus, no adjustments were warranted.

Sales 3 and 4 were considered to have inferior freeway access, thus, these transactions were adjusted upwards by 5%.

Total Net Adjustments Before Considering the CFD Bonds: Sales 1, 2, 3, and 4 received upward adjustments ranging from 30% to 60%. The greatest upward adjustment was given to Sale 4 since this sale is considered to be substantially inferior to the subject. After making these adjustments, the indicated unit prices for these four transactions ranged from \$5.38 per square foot to \$7.64 per square foot of land area.

Sales 5 and 6 were considered to be substantially superior to the subject since they were located in the Palm Bluffs Corporate Center that is situated in the northwest sector of Fresno. The appraiser has made a downward adjustment of 45% indicating an adjusted price of \$7.70 to \$7.76 per square foot of land area.

The next adjustment is for the CFD Bonds. Sales 1-4 did not have any community facility district bonds in place, therefore, the appraiser has made a downward adjustment of 10% since this is considered to be a superior feature to a property that is encumbered with bonds.

Sales 5 and 6 originally had bonds in place, thus, no adjustments were warranted.

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Conclusion: After making the various adjustments, the net adjusted indicated unit price for the subject property ranged from a low of \$5.38 per square foot of land area to a high of \$7.76 per square foot of land area with the average price indicated at \$6.89 per square foot, adjusted to \$7.00 per square foot. Thus, it is the appraiser's opinion that the benchmark unit value for the subject property for the standard average lot within the development would be \$7.00 per square foot of land area. Thus, after establishing a base unit price for the lots, the appraiser then made adjustments to the base price depending on a lot's size and location within the development.

On the *following* page is a table which lists the 42 lots in the Fancher Creek Business Park. Each lot is identified by letter, its likely use, square footage, corner location, and the appraised retail price of each lot. Adding the retail price of each lot shows the aggregate price for the tract of \$20,056,414 or an average retail price per lot of \$477,534. This equates to an average price per square foot of \$6.67. This unit price is approximately 28%± below the developers' average retail price of \$9.23 per square foot. It should be noted that this is not to be considered the market value of the finished tract but merely an aggregate of the retail prices. The retail lot prices were added together in order to arrive at an average retail lot price that could be used in the discounted cash flow analysis to arrive at a discounted value of the finished project to develop the bulk sale value.

B. Income Approach to Value - Bulk Sale Value:

The appraiser has performed a discounted cash flow analysis to form an opinion of the discounted or bulk sale value of the subject lots. This method utilizes a discounted cash flow analysis to extract the price that an investor can afford to pay for finished lots and satisfy the profitability requirements for reselling the lots on a retail basis. It takes into account the sellout time and the costs associated with holding and marketing the lots. The first step is to estimate the retail prices of the lots and project a sellout period. After deducting the sales and administrative costs, real estate property taxes, CFD bond taxes, the net proceeds from the retail sales are discounted to a present net worth estimate of value.

The specific assumptions and components of the discounted cash flow analysis are briefly discussed below:

Assumptions of the Discounted Cash Flow Analysis:

Gross Sales Revenue:

Please refer to the previous discussion regarding the subject's retail lot prices. The aggregate retail price for the 42 lots in the project amounted to \$20,056,414 or an average retail lot price of \$477,534. The lot prices were increased by 1% per year beginning in the 3rd year of the analysis, 2% in years 4 and 5, and 3% in years 6, 7, and 8.

Fancher Creek Business Park 42 Finished Lots

Lot	Use (1)	Acres	Square Feet	Corner Lot	Appraised Retail Price		Developer's Pricing 2012		
					\$/SF	Retail Price	\$/SF	Sales Price	
A	R/O	2.04	88,852	yes	\$ 10.00	\$ 888,520	\$ 12.00	\$ 1,066,224	
B	R/O	1.75	76,101	yes	\$ 10.00	\$ 761,010	\$ 12.00	\$ 913,212	
C	R/O	2.08	90,589	yes	\$ 8.50	\$ 770,007	\$ 12.00	\$ 1,087,068	
D	O	1.15	50,136	no	\$ 7.50	\$ 376,020	\$ 10.00	\$ 501,360	
E	O	1.19	51,808	yes	\$ 7.50	\$ 388,560	\$ 10.00	\$ 518,080	
F	I/O	2.32	100,954	yes	\$ 6.75	\$ 681,440	\$ 7.50	\$ 757,155	
G	I	1.76	76,766	no	\$ 6.75	\$ 518,171	\$ 6.95	\$ 533,524	
H	I	1.61	70,160	no	\$ 6.75	\$ 473,580	\$ 6.95	\$ 487,612	
I	I	2.41	105,181	no	\$ 6.75	\$ 709,972	\$ 6.95	\$ 731,008	
J	I	2.46	107,302	no	\$ 6.75	\$ 724,289	\$ 7.50	\$ 804,765	
K	O	1.8	78,368	no	\$ 6.50	\$ 509,392	\$ 9.75	\$ 764,088	
L	O	1.47	63,943	yes	\$ 7.00	\$ 447,601	\$ 9.75	\$ 623,444	
M	I/O	1.99	86,790	yes	\$ 7.00	\$ 607,530	\$ 9.75	\$ 846,203	
N	I/O	1.19	51,727	yes	\$ 7.00	\$ 362,089	\$ 9.50	\$ 491,407	
O	I/O	1.14	49,475	no	\$ 6.75	\$ 333,956	\$ 9.50	\$ 470,013	
P	I	1.49	64,708	no	\$ 6.75	\$ 436,779	\$ 9.25	\$ 598,549	
Q	I	1.32	57,627	no	\$ 6.75	\$ 388,982	\$ 5.95	\$ 342,881	
R	I	1.66	72,247	no	\$ 6.50	\$ 469,606	\$ 9.00	\$ 650,223	
S	I	1.77	77,028	no	\$ 6.00	\$ 462,168	\$ 9.00	\$ 693,252	
T (2)		0	0	0	\$ -	\$ -	\$ -	\$ -	
U	I/O	2.49	108,378	yes	\$ 7.00	\$ 758,646	\$ 9.50	\$ 1,029,591	
V	O	2.43	105,847	no	\$ 6.75	\$ 714,467	\$ 10.00	\$ 1,058,470	
W	O	1.73	75,443	no	\$ 6.75	\$ 509,240	\$ 10.00	\$ 754,430	
X	O	1.73	75,127	no	\$ 7.50	\$ 563,453	\$ 11.00	\$ 826,397	
Y	I	2.04	88,927	no	\$ 6.50	\$ 578,026	\$ 10.00	\$ 889,270	
Z	I	1.91	83,059	no	\$ 6.50	\$ 539,884	\$ 9.00	\$ 747,531	
AA	I/O	1.64	71,395	no	\$ 6.50	\$ 464,068	\$ 9.50	\$ 678,253	
AB	I/O	1.47	63,976	no	\$ 6.50	\$ 415,844	\$ 9.50	\$ 607,772	
AC	I	0.39	17,140	no	\$ 8.00	\$ 137,120	\$ 15.00	\$ 257,100	
AD	I	1.54	67,098	no	\$ 7.50	\$ 503,235	\$ 11.00	\$ 738,078	
AE	O	1.51	65,773	no	\$ 6.50	\$ 427,525	\$ 10.50	\$ 690,617	
AF	R/O	2.91	126,937	no	\$ 6.00	\$ 761,622	\$ 9.25	\$ 1,174,167	
AG	R/O	1.62	70,396	no	\$ 5.75	\$ 404,777	\$ 6.95	\$ 489,252	
AH	I/O	1.01	43,941	no	\$ 5.00	\$ 219,705	\$ 5.75	\$ 252,661	
AI	I	0.92	40,083	no	\$ 5.00	\$ 200,415	\$ 7.25	\$ 290,602	
AJ	I	0.92	40,314	no	\$ 5.00	\$ 201,570	\$ 6.50	\$ 262,041	
AK	I	0.91	39,550	no	\$ 5.50	\$ 217,525	\$ 7.25	\$ 286,738	
AL	I	0.94	40,749	no	\$ 5.50	\$ 224,120	\$ 9.50	\$ 387,116	
AM	I	0.96	41,897	no	\$ 5.00	\$ 209,485	\$ 9.50	\$ 398,022	
AN	I	0.83	35,942	no	\$ 5.00	\$ 179,710	\$ 9.50	\$ 341,449	
AO	I	3.3	143,637	no	\$ 4.50	\$ 646,367	\$ 9.50	\$ 1,364,552	
AP	I	1.53	66,606	no	\$ 6.50	\$ 432,939	\$ 9.50	\$ 632,757	
AQ	I	1.67	72,834	no	\$ 6.00	\$ 437,004	\$ 9.50	\$ 691,923	
		69.00	3,004,811						
Total Lots	42			Aggregate Retail Price	\$ 20,056,414			\$ 27,728,852	
Total Acres	69.00	Net Acres			Avg Retail Price/Lot	\$ 477,534			\$ 660,211
Avg. Lot Size	71,543	SF			Avg Retail Price/Sq. Ft.	\$ 6.67			\$ 9.23
Avg. Lot Size	1.64	Acres							

(1) Use: Site is better suited for development to the following uses due to location: I = Industrial; O = Office; R = Retail.

(2) Lot "T" is not a part of the existing inventory for sale.

SECTION I

The following is a projection of the retail lot prices for the project:

Average Retail Lot Price Per Year		
<i>Year</i>	<i>% Increase</i>	<i>Average Lot Value</i>
Year 1	0%	\$477,534
Year 2	0%	\$477,534
Year 3	1%	\$482,309
Year 4	2%	\$491,955
Year 5	2%	\$501,794
Year 6	3%	\$516,848
Year 7	3%	\$532,353
Year 8	3%	\$548,324

Absorption Rate:

To estimate an absorption rate or the sellout rate of the lots for the subject property, the appraiser has researched sales activity of various industrial parks that had been developed around the Fresno Yosemite International Airport. These developments include Los Olivos, Las Palmas, and the Fresno Airport Center. These industrial parks range in size from 80 to 100 acres and were developed 25 to 35 years ago. At the present time, all these parks are completely developed. Because of the age of these developments, the absorption rates from these projects are not considered meaningful for determining the velocity of sales for the subject property. Most of these parks were developed over a time frame of two to five years. Over the last six years, there have been two new light industrial parks that have been developed by a local developer, Don Pickett. Mr. Pickett has acquired raw acreage and subdivided the acreage into lots and sizes of 25,000 to over 50,000 square feet. Mr. Pickett has developed the lots with building improvements ranging in size from 5,000 to 12,000 square feet and sold the completed product to owner/users or investors. Mr. Pickett would not sell lots and allow a builder to construct their own improvements. The industrial parks developed by Mr. Pickett have been very successful and absorption has ranged between two and three lots per month on an average basis. The absorptions generated from the Pickett developments are not considered to be applicable to subject since the velocity for just a straight lot sale program would be lower than the sales rate for an industrial development where the developer builds out the improvements and sells to owner/users or investors. In addition, these developments were completed several years ago wherein the market conditions were more positive than they are today.

The appraiser has also contacted several real estate brokers who specialize in the industrial market and it was their opinion that the absorption time for selling just finished lots would range from three to five lots per year in a normal market. The brokers indicate that there aren't any newly developed industrial subdivisions that are selling lots around the airport area or in the southerly industrial district of Fresno.

The subject property is being marketed by CBRE and according to the listing broker, Mr. Nick Audino, there have not been any sales of the lots within the project to date. Mr. Audino

SECTION I

indicated that there has been minimal activity by potential buyers for lots in the subject development. The developer's representative, Mr. Scott Anderson, indicated that they are considering development of a 50,000 square foot light industrial building on a "spec" for lease basis but at this time it is still in the planning stage.

The only other good quality industrial park development that has recently been developed is the North Pointe Business Park which is situated at the southwest corner of North and Orange Avenues immediately west of Highway 99 in the southwesterly industrial sector of Fresno. The developers own a substantial amount of acreage in the area and are planning to master plan most of the acreage for industrial development. The owners are the Parnagian family and the first phase is a 70-acre parcel that has been subdivided into 11 lots. The lots range in size from 3.72 acres to 8.06 acres. The lots were manufactured approximately 6 years ago and, to date, 5 lots have been developed with good quality, concrete tilt-up warehouse and light industrial buildings. The developers do not plan to sell lots but will only build buildings for their own account for "spec" leasing purposes. To date, 5 lots have been improved with building improvements indicating an absorption of approximately 3.5 acres per year. This project will be developed by the owners as demand warrants. Again this project will not be in competition with the subject for lot sales, however, it will be in competition for the development of industrial or warehouse buildings that would be available for lease or for owner/users.

The only absorption that has taken place to date consists of the lots that were assembled for the construction of the Ferguson warehouse building. Thus, in developing an absorption period, the appraiser is starting with a total of 42 lots.

Due to the lack of good market data to develop a velocity of sales, the appraiser has estimated a sales program for the subject project is considered somewhat subjective. Because of the current economic conditions, it is the appraiser's opinion that there would be a minimal amount of sales during the two years of the analysis with a gradual increase over the balance of the projection period. The appraiser has estimated that in the first annual period between September of 2012 and August of 2013, 2 lots would be sold out of the beginning inventory of 42 lots. This would result in an ending inventory of 40 lots. The absorption was increased to 4 lots for the second year, 8 lots for the third year, 12 lots for the fourth year, 10 lots for the fifth year, and 6 lots for the sixth year which would complete the sell out of the project.

SECTION I

The following is a sales absorption schedule for the lots:

Absorption Schedule - 42 Lots - Fancher Creek Business Park						
	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>	<i>Year 6</i>
Time Period	9/12 - 8/13	9/13 - 8/14	9/14 - 8/15	9/15 - 8/16	9/16 - 8/17	9/17 - 8/18
Beginning Inventory	42	40	36	28	16	6
Sales/Year	2	4	8	12	10	6
Ending Inventory	40	36	28	16	6	0

It should be noted that the projected velocity of sales is certainly subject to debate. However, it is safe to assume that because of the higher retail prices that have been put on the subject lots and the recessionary economy that has existed over the past several years along with the restricted lending markets, any development of these lots is going to take a much longer time to accomplish than it could have taken five or six years ago. Based on the overall time frame of 69 months or 5 years, 9 months, the indicated absorption of the subject property on an acreage basis is 11.7 acres per year. The only comparable data would be the North Pointe Business Park, which is currently showing an absorption of 3.5 acres per year since marketing commenced in 2006. The owners of the North Pointe Business Park are not actively trying to sell lots but are absorbing their land inventory by developing "spec for lease" buildings which has resulted in a slower absorption than projected for the subject. Because of this situation, the absorption of lots in their development should be slower than an industrial subdivision that is offering lots for sale to the owner/user and investment market. In any event, the appraiser has estimated the absorption over a 69-month period and is certainly subject to change depending on future market conditions.

Expenses:

Sales Costs: Sales costs, which include commissions, marketing, and closing costs have been estimated at 3.0% of the gross sale proceeds.

Administrative and Overhead: Overhead is estimated at 1.5% of the gross sales.

Real Estate Taxes: Since this analysis is based on the assumption that all lots are developed at the beginning of the absorption period, the developer/buyer would be responsible for the interim property taxes during the sellout period. Property taxes were estimated at the current tax rate of 1.194860% of the average appraised retail lot price.

CFD Bonds: The maximum special tax for the developed property, Improvement Area No. 1 of CFD, No. 2012-01 for the fiscal year, 2012-2013, was estimated at \$1,135 per acre or approximately \$.026056 per square foot of land area. The quarterly bond payment was estimated at \$466.16 per lot. This figure was provided by David Taussig and Associates.

Developer's Profit: A developer's profit is included in the discount rate.

SECTION I

Discount Rate: The final element in the discounted cash flow analysis is the discount rate which is applied to the periodic cash flows. The discount rate is a rate of return commensurate with the perceived risk used to convert future payment of receipts to a present value. This rate reflects the compensation offered to an investor for assuming the inherent risk associated with the property. The discount rate can vary upon the size; complexity; market potential; overall quality appeal; estimated absorption; and, most importantly, the pricing of the product. This rate is also influenced by other factors such as the degree of apparent risk, market attitude toward future inflation, the prospective rates of return for alternative investments, the rates of return earned by comparable properties in the past, and the availability of tax shelters.

In determining a discount rate for the subject project, the appraiser has reviewed the Price•Waterhouse•Coopers, for the 2nd quarter of 2012. The survey indicated discount rates for subdivision land is from 15% to 30% with an average at 20.42%. This is a free and clear discount rate which includes a developer's profit. Considering the current market conditions, the slow leasing, and owner/user demand for warehouse and light industrial properties, the appraiser has used a discount rate of 15%. This is considered to be high enough to attract investment capital to the subject property.

Summary:

After determining the net sales proceeds for the subject lots, the annual net returns were discounted at a rate of 15% over the absorption period of 23 quarters or 6 years, 9 months. The present value of the net proceeds for the 42 lots amounted to \$10,994,768, adjusted to \$11,000,000. This is the project's discounted or bulk sale value and takes into account the sellout time and the costs associated with holding and marketing the lots. The discounted cash flow analysis and summary of the assumptions used in the analysis may be found on the *following* page.

Hence, the following:

**“AS IS” BULK SALE VALUE
(DISCOUNTED VALUE - 42 FINISHED LOTS)
(Fee Simple Interest)
as of
January 7, 2013

\$11,000,000**

SECTION I

BULK VALUATION DCF ANALYSIS

Number of Lots	42	Tax Rate	0.0119456	Discount Rate	15.00%
Total Project Acres	69.00	Bond Rate Per SF of Lot - Annual	\$0.02605600		
Average Lot Size - Acres	1.64	Quarterly Per SF	\$0.00651		
Average Lot Size - SF	71,563	Quarterly Bond Payment Per Lot	\$466.16		
Total Retail Value	\$20,056,414	Commission Rate (% of Sales)	3.00%		
Average Lot Value	\$477,534	Administrative Overhead (% of Sales)	1.50%		
Average Price Per SF	\$6.67	Note: Property Taxes & Bond Payment Increase Increases 1.02% Annually			
Lot Appreciation:	%	Lot Value			
Year 2	0.00%	\$477,534			
Year 3	1.00%	\$482,309			
Year 4	2.00%	\$491,955			
Year 5	2.00%	\$501,794			
Year 6	3.00%	\$516,848			
Year 7	3.00%	\$532,353			
Year 8	3.00%	\$548,324			

Year	Quarter	Lot Sales		Lots Remaining	Sales Revenue	Expenses				Net Sales Revenue	Quarterly PV Factor	Present Value
		Quarter	Cumulative			Property Taxes	Bond Payment	Sales Commissions	Overhead			
Year 1	1	0	0	42	\$0	\$59,896	\$19,579	\$0	\$0	-\$79,475	0.963855	-\$76,603
	2	0	0	42	\$0	\$59,896	\$19,579	\$0	\$0	-\$79,475	0.929017	-\$73,834
	3	1	1	41	\$477,534	\$58,470	\$19,113	\$14,326	\$7,163	\$378,462	0.895438	\$338,889
	4	1	2	40	\$477,534	\$57,044	\$18,646	\$14,326	\$7,163	\$380,354	0.863073	\$328,273
Year 2	5	1	3	39	\$477,534	\$56,731	\$18,544	\$14,326	\$7,163	\$380,770	0.831878	\$316,754
	6	1	4	38	\$477,534	\$55,276	\$18,068	\$14,326	\$7,163	\$382,700	0.801810	\$306,853
	7	1	5	37	\$477,534	\$53,821	\$17,593	\$14,326	\$7,163	\$384,630	0.772829	\$297,253
	8	1	6	36	\$477,534	\$52,367	\$17,117	\$14,326	\$7,163	\$386,561	0.744895	\$287,947
Year 3	9	2	8	34	\$964,618	\$50,447	\$16,490	\$28,939	\$14,469	\$854,274	0.717971	\$613,344
	10	2	10	32	\$964,618	\$47,479	\$15,520	\$28,939	\$14,469	\$858,211	0.692020	\$593,900
	11	2	12	30	\$964,618	\$44,512	\$14,550	\$28,939	\$14,469	\$862,149	0.667008	\$575,060
	12	2	14	28	\$964,618	\$41,544	\$13,580	\$28,939	\$14,469	\$866,086	0.642899	\$556,806
Year 4	13	3	17	25	\$1,475,865	\$37,835	\$12,367	\$44,276	\$22,138	\$1,359,249	0.619662	\$842,274
	14	3	20	22	\$1,475,865	\$33,295	\$10,883	\$44,276	\$22,138	\$1,365,273	0.597264	\$815,429
	15	3	23	19	\$1,475,865	\$28,755	\$9,399	\$44,276	\$22,138	\$1,371,297	0.575676	\$789,424
	16	3	26	16	\$1,475,865	\$24,214	\$7,915	\$44,276	\$22,138	\$1,377,322	0.554869	\$764,233
Year 5	17	3	29	13	\$1,505,382	\$20,068	\$6,560	\$45,161	\$22,581	\$1,411,013	0.534813	\$754,628
	18	3	32	10	\$1,505,382	\$15,437	\$5,046	\$45,161	\$22,581	\$1,417,157	0.515483	\$730,520
	19	2	34	8	\$1,003,588	\$12,349	\$4,037	\$30,108	\$15,054	\$942,041	0.496851	\$468,054
	20	2	36	6	\$1,003,588	\$9,262	\$3,028	\$30,108	\$15,054	\$946,137	0.478892	\$453,098
Year 6	21	2	38	4	\$1,033,696	\$6,298	\$2,059	\$31,011	\$15,505	\$978,823	0.461583	\$451,808
	22	2	40	2	\$1,033,696	\$3,149	\$1,029	\$31,011	\$15,505	\$983,001	0.444899	\$437,337
	23	2	42	0	\$1,033,696	\$0	\$0	\$31,011	\$15,505	\$987,180	0.428819	\$423,321
	24	0	42	0	\$0	\$0	\$0	\$0	\$0	\$0	0.413319	\$0
Year 7	25	0	42	0	\$0	\$0	\$0	\$0	\$0	\$0	0.398380	\$0
	26	0	42	0	\$0	\$0	\$0	\$0	\$0	\$0	0.383981	\$0
	27	0	42	0	\$0	\$0	\$0	\$0	\$0	\$0	0.370102	\$0
	28	0	42	0	\$0	\$0	\$0	\$0	\$0	\$0	0.356725	\$0
Year 8	29	0	42	0	\$0	\$0	\$0	\$0	\$0	\$0	0.343831	\$0
	30	0	42	0	\$0	\$0	\$0	\$0	\$0	\$0	0.331403	\$0
TOTALS					\$20,746,162	\$828,145	\$270,701	\$622,385	\$311,192	\$18,713,739		\$10,994,768

Present Value of Net Sale Proceeds \$10,994,768
Rounded To: \$11,000,000

SECTION II

VALUATION OF THE FERGUSON ENTERPRISES
WAREHOUSE/DISTRIBUTION BUILDING - PARCEL T

704 North Laverne Avenue
Fresno, California 93727

APN 313-270-76s

SECTION II

FERGUSON ENTERPRISES WAREHOUSE/DISTRIBUTION BUILDING

I. PROPERTY LOCATION AND DESCRIPTION:

The Ferguson Enterprises distribution building is located at 704 North Laverne Avenue, Fresno, California, 93727. The property is situated within the Fancher Creek Business Park that is situated at the southeast corner of North Fowler and East Belmont Avenues in the southeast sector of Fresno.

The property consists of a Class "A" warehouse/distribution building that was constructed on a build-to-suit for Ferguson Enterprises. The building contains a total of 102,847 square feet of gross building area. The building has a total finished area of 22,027 square feet which consists of office, showroom and counter space. The balance of the building, 80,820 square feet, is developed to warehouse/distribution space. The total finished space amounts to 21.4% of the gross building area. The building is of good quality, concrete tilt-up construction that has been developed on an 8.90-acre parcel. The building coverage amounts to 26.5%.

The building is leased to Ferguson Enterprises for a 10-year term with approximately six years remaining on the initial lease. The current contract rent is \$94,546.06 per month or approximately \$.92 per square foot per month triple-net. The rent is adjusted annually by a consumer price index with the increase not to exceed 3% per year.

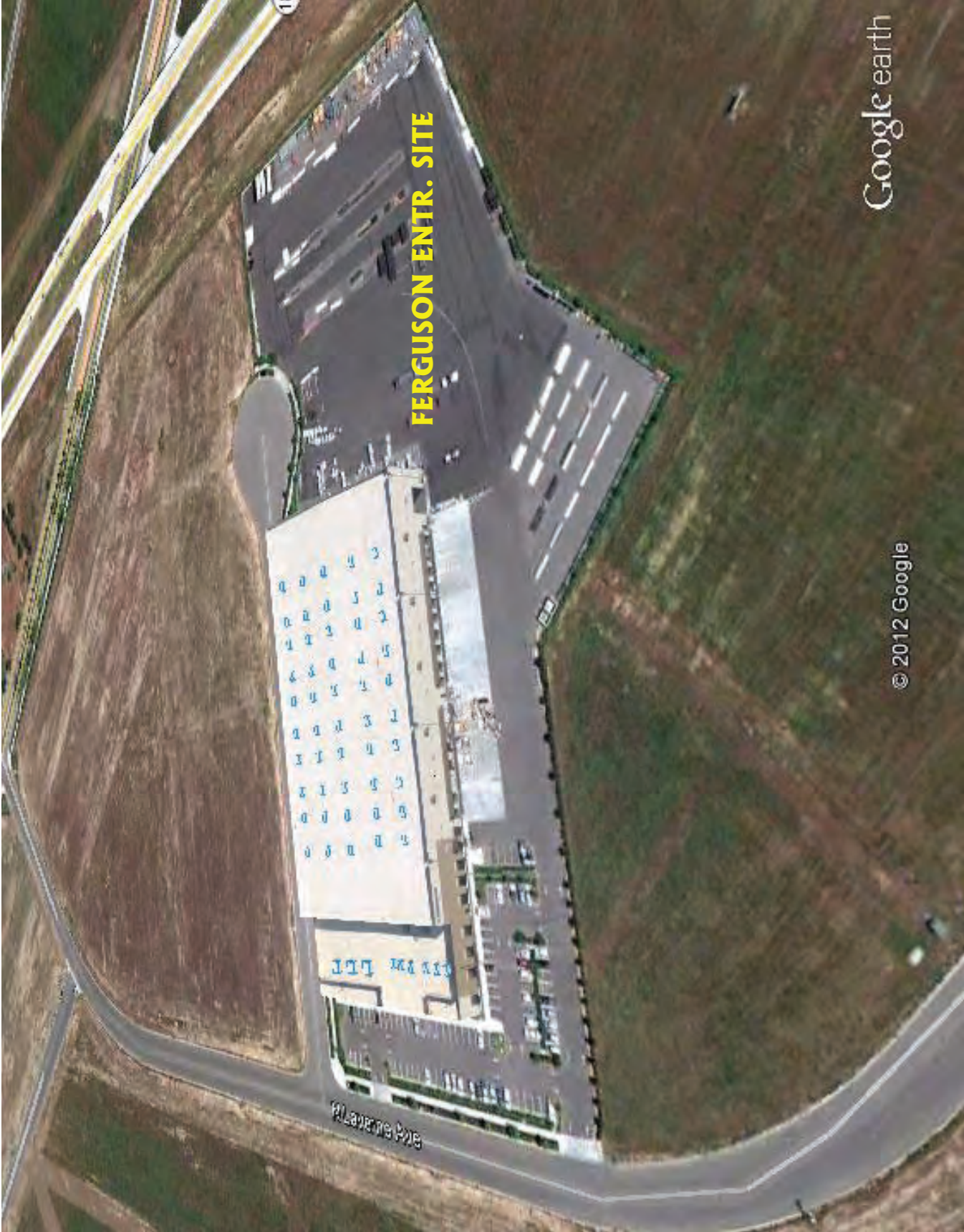
II. LEGAL DESCRIPTION:

The appraiser has not been provided with a current title report for this property. Based on a Fresno County Assessor's Parcel Map, the property referred to in this appraisal report is situated in the State of California, County of Fresno, City of Fresno, and is described as Parcel T of Parcel Map No. 2004-36 recorded in Book 69 at Pages 25-32.

The property is also identified as Fresno County Assessor's Parcel Number 313-270-76s.

III. STATEMENT OF OWNERSHIP:

County records show title to be vested in the name of 704 North Laverne Avenue, L.P.



Google earth

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Google earth

feet
meters



SECTION II

IV. CONDITIONS OF THE APPRAISAL:

Hypothetical Condition: that which is contrary to what exists but is supposed for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (*USPAP 2012-2013, The Appraisal Foundation, 2012, Definitions, pg. U-3*)

There are no hypothetical conditions associated with this appraisal.

Extraordinary Assumption: an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact other wise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (*USPAP 2012-2013, The Appraisal Foundation, 2012, Definitions, pg. U-3*)

There are no extraordinary assumptions associated with this appraisal.

V. PROPERTY ADDRESS:

704 North Laverne Avenue
Fresno, California 93727

VI. REAL ESTATE TAXES:

Article XIII A of the California Tax and Revenue Code states that "properties shall be taxed on their full cash assessed value as of March 1, 1975," the base year lien date. Beyond this date, assessments may be increased only 2 percent per year until the property is sold, substantial new construction occurs, or the use of the property is significantly changed. In such cases, the property assessment may be increased to current market levels.

The 2011/2012 fiscal year is the most recent year for which assessed valuation and property tax information is available. The following is the total assessed values and taxes for the Ferguson parcel.

SECTION II

Ferguson Enterprises Property - Parcel T

Assessed Value 2011/2012 for:	APN 313-270-76s
Land:	\$403,012
Improvements:	3,919,254
TOTAL:	\$4,322,266
Tax Rate Area:	005-315
Tax Rate:	\$1.194860/\$100 of Assessed Value
Total Real Estate Taxes:	\$53,457.60
Special Assessments:	\$1,812.70 (Included in Taxes)
Delinquent Taxes:	None

VII. PROPERTY HISTORY:

The subject property has been under the same ownership, Fancher Creek Properties, LLC, since 1999. The property is not listed for sale.

VIII. SITE DESCRIPTION:

Location:

The subject parcel is located within the Fancher Creek Business Park, which is located at the southeast corner of North Fowler and East Belmont Avenues in the southeast sector of the city of Fresno.

The Fancher Creek Business Park is divided into two components with the largest portion consisting of 29 lots and is generally bounded by Belmont Avenue on the north, Fowler Avenue on the west, Armstrong Avenue on the east, and Fancher Creek Drive on the south. The smaller portion of the development is situated at the northeast corner of North Armstrong and East Belmont Avenues and contains a total of 14 lots.

The parcel developed with the Ferguson building is located at the northeast corner of North Laverne and East Washington Avenues. The municipal address is 704 N. Laverne Ave., Fresno, CA 93727.

Thomas Bros. Map Code, Census Tract and A.P.N.:

T.B.M.C.: 1304 B5
C.T.: 14.03
A.P.N.: 313-270-76s

SECTION II

Size and Shape:

The subject site is an irregular-shaped parcel that contains 8.90± acres or 387,543 square feet of land area.

Off-Site Improvements:

The subject parcel has off-site improvements installed which consist of concrete curb, gutter, sidewalk, and street lighting along the street alignments. All of the utilities are underground.

On-Site Improvements:

The parcel is improved with a good quality, concrete tilt-up, warehouse/distribution building that contains a total of 102,847 square feet of gross building area. The site is finished with asphalt and concrete paving, landscaping with underground automatic sprinkler systems, yard lighting, and security fencing. Approximately 3.0 acres of the site is completely fenced and paved for the outside storage of plumbing and air-conditioning equipment.

Properties Adjoining the Fancher Creek Business Park:

North: State Highway 180, portion of the Fancher Creek Business Park, and open agricultural land.
South: Potential subdivision acreage and agricultural land.
East: Agricultural acreage.
West: Residential developments.

Utilities:

All municipal and public utilities that serve the general area are available to serve the subject property. These services and providers include the following:

<u>Utility</u>	<u>Provider</u>
Water	City of Fresno
Sewage Disposal	City of Fresno
Trash Collection	City of Fresno
Electricity	Pacific Gas and Electric Company
Natural Gas	Pacific Gas and Electric Company
Cable Television	Comcast
Telephone	AT&T
Flood Control	Fresno Metropolitan Flood Control District
Police and Fire	City of Fresno

Topography/Drainage:

The site is level and has been graded so the excess water runoff is drained to a storm drainage system that is operated by the Fresno Metropolitan Flood Control District.

SECTION II

Soils Condition:

The appraiser has not reviewed a soils report, however, soils throughout the area are of a sandy loam texture and are considered to be suitable for light industrial building improvements.

Easements:

The appraiser has not been provided with a current preliminary title report for review. However, an older preliminary title report prepared by Financial Title Company dated August 17, 2006 was reviewed. The title report was published for the subject's larger parcel. According to this document, easements affecting the property are for public rights-of-way, utility, street improvements, canals and ditches, and irrigation pipelines. Other matters listed in the report that impact the property includes the following:

- The property lies within the jurisdiction of the Fresno Metropolitan Flood Control District.
- The property does not have rights of access to or from the freeway alignment that abuts a portion of the subject lot.
- The terms and conditions contained in an unrecorded option to purchase agreement that effect a portion of the larger parcel and other acreage owned by the developers.

It is recommended that the user of this report obtain a current preliminary title report to determine what easements impact the subject property. This appraisal assumes that there are no restrictive covenants, conditions, and restrictions (CC&R's) or other easements that would limit the marketability or further development of the subject parcel.

Streets:

The interior streets are asphalt paved and are city maintained. All of the streets have off-site improvements consisting of concrete curbs, gutters, and street lighting. Sidewalks will be installed as the lots are developed.

The interior collector streets connect with East Belmont, North Armstrong, and North Fowler Avenues. The lots within the Fancher Creek Business Park development do not have direct access to Freeway 180. There are on- and off-ramps at Fowler Avenue just north of Belmont Avenue that provide access to Freeway 180.

All of the major arterials, i.e., North Fowler and East Belmont Avenues, are asphalt paved, City maintained streets.

Access and Exposure:

The subject parcel has good access and identity from Belmont and Fowler Avenues as well as from Freeway 180.

SECTION II

Zoning and Annexation:

The subject parcel is annexed to the City of Fresno along with the other parcels within the development. The parcel is zoned M1/BA15/UGM/CZ. This is a light manufacturing zoning classification with a boulevard zoning setback requirement and is situated within the urban growth management district. The improvements under construction conform with this zoning designation.

Parcel Map Approval:

The subject parcel is part of Parcel Map Number 2004-36, which was approved by the Fresno City Council on January 14, 2005. This is a vested parcel map that sets forth specific conditions of approval for the proposed Fancher Creek Business Park development.

Existing Development:

The subject parcel is developed with a good quality, concrete tilt-up, warehouse/distribution building that contains 102,847 square feet of gross building area. The building was constructed on a build-to-suit basis for Ferguson Enterprises who signed a lease for a period of 10 years with options to renew. The facility is used for the warehousing and distribution of plumbing and electrical equipment and appliances for the construction and building industry.

In addition to the building, the site is improved with asphalt and concrete paving, landscaping, fencing, and yard lighting.

Building Improvements and Site Coverage:

The total site area contains 387,543 square feet. Based on the building area of 102,847 square feet, the building coverage is 26.54%. This is a fairly low building coverage for a warehouse/distribution facility since these property types tend to have coverages ranging from 35% to more than 50%. The lower building coverage is due to the tenant's requirement that 3.0 acres be paved and fenced for outside storage.

Environmental Conditions:

Toxic or Hazardous Waste: The appraiser has no expertise with respect to toxic wastes, hazardous materials or undesirable substances. Proper inspections of the property by qualified experts should be undertaken at the client's request to determine whether or not there are any current or potential toxic wastes, hazardous materials or undesirable substances in or on the property. The appraiser has not made, nor will make, any representations, either express or implied, regarding the existence or nonexistence of toxic wastes, hazardous materials, or undesirable substances in or on the property. Problems involving toxic wastes, hazardous materials, or undesirable substances can be extremely costly to correct. It is the responsibility of the client or recipient of this report to retain qualified experts to deal with the detection and correction of such matters.

SECTION II

Earthquake Hazard: The subject is **not** located in a special study zone as set forth by the Alquist-Priolo Special Studies Zones Act of December 22, 1972, which went into effect March 7, 1973. This act pertains to properties that are located in active earthquake areas.

Significant Natural, Cultural, Recreational or Scientific Value: The subject property is **not** located in an area that has any natural, cultural, recreational or scientific significance.

Flood Hazard: Portions of the subject property are located in Flood Hazard Zones “AH” and “AO” according to FEMA Community Panels #06019C2135F, dated July 19, 2001; and #06019C1595F, dated July 19, 2001. Zones “AH” and “AO” are designated flood hazard areas.

Wetlands: The subject property is **not** located in an area designated as a wetlands area.

IX. IMPROVEMENTS DESCRIPTION:

The building under appraisal is a 102,847 square foot, single-tenant, concrete tilt-up, warehouse/distribution building that is of good quality construction. The building is occupied by Ferguson Enterprises for wholesale, distribution, and ancillary retail sales of plumbing, lighting, appliances, heating, ventilation, air-conditioning, fire suppression, and related building materials.

The following is a brief discussion of the components of construction as developed from a physical inspection of the property and also the review of plans and specifications prepared by Scott Beck Architecture:

Building Age:

The building was completed in 2009 and has an estimated effective age of 2 years.

Building Size:

The following is a breakdown of the building areas that was based on the plans prepared by Scott Beck Architecture, 5455 Wilshire Boulevard, Suite 304, Los Angeles, California. The plans were dated November 26, 2007 and are identified as 2006.007.01:

<u><i>Type of Finish</i></u>	<u><i>Size SF</i></u>
Office Space	6,136 SF
Counter Space	5,152 SF
Showroom Space	<u>10,739 SF</u>
Subtotal Finished Space	22,027 SF
Warehouse Space	<u>80,820 SF</u>
Total Building Area	<u>102,847 SF</u>
Percent of Finished Space - Total Bldg Area	21.4%

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Foundation and Flooring:

The building has reinforced perimeter concrete foundation systems with concrete slab flooring placed over a vapor barrier, sand fill, and compacted soil. The flooring has been laser screeded to accommodate high pile storage. The concrete slab is six inches in thickness. The concrete slab is at grade level, however, there is a depressed truck well that creates a dock-high floor plate for truck loading.

Building Shell:

The building is of average to good quality, Class "C" (concrete tilt-up) construction. The wall height to the top of the parapet is 38 feet. The interior clear height is 30 feet. The building is a single-loading structure that will not be cross-docked.

Loading Doors:

According to the specifications and a physical inspection of the building, the following is a breakdown of the loading doors:

Dock High Doors	16 – 9'x10'
Pick-Up Doors	2 – 9'x10'
Grade Doors	1 – 24'x14'

The dock doors are insulated vertical lift, metal sectional type doors with vision panels. The doors are manually operated with safety stops. The grade level door is also a metal sectional type door which is operated electrically.

There are recessed mechanical dock levelers at all the dock doors.

Roof:

The roof is a wood panelized system with a built-up roof covering that has an R-19 rating.

Column Spacing:

The column spacing is 44'x56'.

Floor Plan:

The building is divided into 80,820 square feet of warehouse space and 22,027 square feet that is divided into showroom, counter, and office spaces. The following is a brief discussion of the interior finishes of these spaces:

Warehouse: The main warehouse floor area are sealed concrete and the interior concrete walls are painted. The roof system is finished with a foil backed batt insulation material.

SECTION II

Offices: The offices are finished with carpeting and resilient floor coverings. The interior demising walls are taped, textured, and painted sheetrock and the ceiling are suspended acoustical tile ceiling systems with flush-mounted fluorescent lighting fixtures.

Showroom: The showroom is a combination of sealed concrete slab flooring and carpeting. The interior walls are painted sheetrock and concrete. The ceilings are a combination of painted sheetrock and suspended acoustical tile ceiling systems. Lighting is by fluorescent and incandescent fixtures.

Counter: The counter area has concrete flooring, and painted sheetrock walls and ceiling.

HVAC:

The office, showroom, and counter areas are heated and cooled by roof-mounted, dual pack refrigeration and forced-air heating units. The warehouse area has through-the-wall ventilation to achieve a minimum of 2.5 air changes per hour.

Electrical:

There is an 800 amp. service with 277/480 volt, three-phase, four-wire system to serve the building. Lighting throughout the building is by fluorescent and incandescent fixtures. The warehouse lighting consists of T-5 fixtures.

Plumbing:

There are four sets of rest rooms. There is one serving the office and showroom areas, one set for the counter space area, and the remaining sets serve the warehouse area. The rest rooms are developed to meet handicap requirements. There are a total of 17 fixtures installed in the various rest room areas.

Fire Protection:

The building is sprinklered for fire protection with an ESFR rated system that is suitable for high pile storage.

On-Site Improvements:

On-site improvements include asphalt paved parking areas, concrete areas for storage, and truck dock areas. There is approximately 3.0 acres that is fenced and paved for equipment and material storage. The site is landscaped with the plant life irrigated by underground automatic sprinkler systems.

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Americans With Disabilities Act (ADA):

Since the building is of new construction, it meets all of the most current ADA requirements.

Personal Property:

No personal property is included in the appraised value.

Improvements Rating:

Construction Quality: According to the Marshall Valuation Service definition and based on the specifications for the building, the subject's quality is rated as average to good, Class "C" tilt-up concrete construction.

Architectural Appeal: The building is typical of other good quality, warehouse/distribution buildings that have been developed in the southerly industrial district of Fresno. The building conforms with the architectural requirements for future buildings that will be developed in the Fancher Creek Business Park.

Functional Utility: The floor plan of the building improvements is considered to be an over improvement for a typical warehouse/distribution building due to the high percentage of finished office and showroom space. However, the building was constructed on a build-to-suit basis for the tenant and the interior improvements meet the requirements of the tenant. Therefore, the building has value in use for the tenant but may not have the same value in use for the general warehouse/distribution market. Because of the lower clear height in the building that houses the offices and showroom, spaces converting this section to warehouse space would be difficult.

Condition: The project was completed in 2009 and has a chronological age of 3 years with an effective age of 2 years. The total economic life is estimated at 50 years, indication a remaining economic life of 48 years and a total accrued depreciation of 4%.

Depreciation: The subject property is of new construction and it is estimated that it will have a total economic life of 50 years. No physical, functional, or economic depreciation and/or obsolescence impact the property.

Plans and Specifications:

The plans reviewed by the appraiser were prepared by Scott Beck Architecture, 5455 Wilshire Boulevard, Suite 304, Los Angeles, California. The plans were dated November 26, 2007 and identified as Job Number 2006.007.01.

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X. INDUSTRIAL MARKET OVERVIEW:

The appraiser has reviewed an industrial market report prepared by Grubb and Ellis/Pearson Commercial. According to Grubb and Ellis/Pearson Commercial's Industrial Trends Report for the 1st quarter of 2012, the Fresno industrial market is beginning to see some increase in the leasing activity. Although there were few reported transactions in the 1st quarter, the brokers reported substantially more inquiries and property tours. The sentiment in the market seems to be that while lease rates and sale prices are not increasing the rate of decline is slowing and may have reached the low point.

The vacancy rate for all product types increased and the amount of space available grew, which allowed prospective tenants and buyers the opportunity to negotiate very favorable terms. Over the past two years, the leasing activity has been limited in most part to renewals, reflecting a lack of growth from business and by the market in general.

Most spaces for lease have remained vacant for over a year even with price reductions. Many landlords continue to negotiate with tenants on price reductions in order to maintain their occupancies. When negotiating leases, landlords tend to prefer shorter term leases in order to renew at increased rental rates a few years down stream. Shorter term leases are also preferred by most tenants who value flexibility given the uncertainty in the economy. The majority of the lease activity has been in the lease sizes ranging from 5,000 square feet to 25,000 square feet.

The following table shows the vacancy rates from the two major southerly industrial submarkets in the Fresno area. The vacancy survey is from the 1st quarter of 2007 through the 1st quarter of 2012. The subject property is located in the southwest submarket.

Vacancy Rates Analysis						
<i>Submarket</i>	<i>1st Qtr 2007</i>	<i>1st Qtr 2008</i>	<i>2nd Qtr 2009¹</i>	<i>1st Qtr 2010</i>	<i>1st Qtr 2011</i>	<i>1st Qtr 2012</i>
Southeast Submarket (Subject)	7.8%	7.4%	10.2%	11.8%	9.4%	10.0%
Southwest Submarket	6.3%	7.8%	7.5%	8.8%	10.4%	10.6%
Fresno Total	5.8%	6.3%	8.0%	10.2%	9.3%	9.6%

¹Grubb and Ellis/Pearson Commercial did not produce a 1st quarter 2009 report.

As indicated from this table, vacancy rates in the 1st quarter of 2007 were at the lowest point and beginning from that period on the vacancy rates began to escalate due to the changes in economic conditions plus the large supply of new distribution space that entered the market during this time frame. The greatest vacancy rates occurred during 2010 through 2012.

The Grubb and Ellis survey also includes the available space that represents the total vacant space and subleased space. This is different than the vacancy rate which measures just the space that is physically vacant. According to the Grubb and Ellis survey of the 1st quarter of 2012, the availability rate in the subject's submarket area is 11.4%, while the overall available rate for the total industrial market is 10.4%. According to an Industrial Market Report prepared by PNC Real Estate,

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the historical spread between vacancy and availability rates is generally 2%. If the availability rate is above this percentage, it requires a longer time to bring a higher vacancy rate more in-line with the historical averages. Looking at the Fresno's availability rate compared to the current vacancy rate indicates that there is a very small difference which is a positive factor for bringing the higher vacancy rates back to the long-term averages for Fresno. For the subject's submarket, the spread is 80 basis points while the spread for the total market is also 80 basis points. The Grubb and Ellis survey also shows the vacancy rates by property type.

The following is a table showing the information for the 1st quarter 2012:

Vacancy Data by Property Type							
<i>Property Type</i>	<i>Total S.F.</i>	<i>Vacant S.F.</i>	<i>Vacancy %</i>	<i>Available %</i>	<i>Net Absorption Current Qtr.</i>	<i>Net Absorption Year-to-Date</i>	<i>Asking Rent</i>
General Industrial	27,803,489	2,655,602	9.6%	10.5%	(84,433)	84,433	\$.40 NNN*
R&D Flex	1,095,355	297,829	27.2%	27.2%	24,988	24,988	\$.55 NNN*
Warehouse/ Distribution	35,374,075	3,244,174	9.2%	9.8%	8,902	8,902	\$.31 NNN*
Totals	64,272,919	6,197,605	9.6%	10.4%	(50,543)	(50,543)	\$.35 AVG.

NNN = Triple-Net

As indicated from this table, the warehouse/distribution product is 55% of Fresno's industrial market. The current vacancy rates for this property type is 9.2%, which is 40 basis points lower than the average vacancy rate for the total market.

Another area to consider in the analysis of an industrial market is the historical and projected absorption of space within a market. The following chart shows the net absorption that has taken place since the 1st quarter of 2007 through the 1st quarter of 2012. The absorption reported is for the subject's submarket and the southeast submarket along with Fresno's total industrial market.

Absorption Analysis						
<i>Submarket</i>	<i>1st Qtr 2007</i>	<i>1st Qtr 2008</i>	<i>2nd Qtr 2009¹</i>	<i>1st Qtr 2010</i>	<i>1st Qtr 2011</i>	<i>1st Qtr 2012</i>
Southeast Submarket (Subject)	(290,522)	266,053	(187,117)	79,120	725,358	9,096
Southwest Submarket	(102,122)	(30,972)	(48,966)	11,018	10,020	(104,129)
Fresno Total	(482,276)	61,227	(309,083)	(16,206)	954,836	(50,543)

¹Grubb and Ellis/Pearson Commercial

As indicated, the subject's submarket had been experiencing some positive absorption since the 1st quarter of 2010. The industrial brokers indicate that there has been increasing activity in the leasing market across most product types; however, it has not resulted in a reduction in the vacancy rates.

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Although new construction has been non-existent since 2008 resulting in a stable inventory, there has not been any sharp reductions in the vacant space.

The average lease rates for warehouse/distribution space continued to remain relatively unchanged from the previous surveys. The Grubb and Ellis/Pearson Commercial survey indicated an average asking rent for warehouse/distribution space at \$.31 per square foot per month triple-net for the Fresno market and \$.28 per square foot per month triple-net in the southeast submarket. The lease rates for the new Class “A” warehouse space will range between \$.28 and \$.35 per square foot per month, while the Class “B” warehouse product is renting at rates between \$.24 and \$.28 per square foot per month.

Looking forward, there is one event that if it should occur would have a positive impact on the industrial markets in the Fresno and the Central Valley. That event would be the start of California’s high speed rail line. According to informed sources, they are beginning to commence with the right-of-way acquisition for the first leg of the line which will extend from Merced to Bakersfield. The rail maintenance yard may be located in Fresno which will have a positive impact on the industrial segment of the community. The potential exists for the high speed rail to be the most meaningful boost in the region’s economy in decades and could stimulate the demand for warehouses and developable industrial land. However, this project has a number of challenges and may turn out to be the “railroad to nowhere”.

The economic and property market landscape is growing more favorable. However, it will take several years before the broad United States industrial market enjoys a full recovery and the same is true for secondary and tertiary markets such as Fresno providing the economy does not retrench. The Fresno market is considered to be in a stronger position for recovery since the vacancy rate is very close to the availability rate and there is not anticipated to be any new speculative construction of warehouse/distribution space over the near term that would create any additional space on the market and add to the vacancy rates. The Fresno market should continue to show a positive absorption and a reduction in vacancy and availability rates with a slight upward movement of rents over the next several years.

With respect to investment returns for warehouse/distribution properties, there has been a continued drop in capitalization rates especially for Class “A” distribution product in the core markets. The most recent PWC investor survey for the 3rd quarter 2012 indicates an average overall capitalization rate of 7.13% for Class “A” properties. For non-institution grade properties, the average overall capitalization rate was indicated at 8.82%. Overall capitalization rates have continued to drop and there is information suggesting that investors are willing to accept “at market” going-in capitalization rates in prime global gateway markets in the low to mid 6.0% range. However, for secondary and tertiary markets, the capitalization rates will remain in the 8% to 9% range until investment capital comes into these markets and begins to put downward pressure on rates.

Fresno’s economy and high unemployment continue to restrict a rebound in the leasing and the sale markets for industrial properties in the Fresno area. Fresno’s industrial market will continue to face challenges through 2012 and into 2013. The industrial market is considered to be in a recessionary cycle with the market beginning to move to recovery over the next several years. On the positive side, the lower lease rates and landlord concessions will hopefully attract new tenants and also provide the opportunity for existing tenants to expand their space needs.

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XI. HIGHEST AND BEST USE:

The term "*Highest and Best Use*," as used in this report is defined as follows:

"The reasonably probable and legal use of vacant land or an improved property, 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." (The Dictionary of Real Estate Appraisal, 5th Edition, Chicago: Appraisal Institute, 2010, page 73)

The above definition applies specifically to the highest and best use of land or sites as though vacant. When a site contains improvements, the highest and best use may be determined to be different from the existing use. The existing use will continue unless and until land value in its highest and best use exceeds the sum of the value of the entire property in its existing use and the cost to remove the improvements.

In determination of the highest and best use of both the land as though vacant and property as if improved, four criteria must be met. They are as follows:

1. Legal Permissibility: Zoning restrictions are highly important factors when considering potential uses. If a particular use is restricted by law to a property, the property is not available for that particular use.
2. Physical Possibility: This criterion will take into consideration size, shape, area and terrain of the parcel.
3. Financial Feasibility: Those uses that meet the preceding criteria will be analyzed further to determine which uses will produce a positive return above operating expenses, financial obligation and capital amortization. At this point in time, the appraiser will consider the supply and demand forces which influence the possible uses.
4. Maximum Productivity: Those uses which produce a positive rate of return are analyzed further to determine which will produce the highest rate of return.

The subject property consists of a concrete tilt-up, warehouse/distribution building that was constructed on a build-to-suit basis for a national credit-rated tenant who will lease the property for a 10-year term with options to renew. In analyzing the property as to the highest and best use of the site as if vacant and as improved, the four criteria as outlined above have been considered.

Each of these criterions will be discussed as follows:

Highest and Best Use As If Vacant:

1. Legal Permissibility: The subject property is zoned M1/BA15/UGM/CZ. This is a light manufacturing zoning designation. This zoning would allow for the property to be developed with various types of light industrial uses. It would not allow for single family, multifamily or commercial developments.

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2. Physical Possibility: The parcel has been developed with a 102,847 square foot, single-tenant, warehouse/distribution building. Thus, based on the fact that the building has been completed and meets all municipal building codes, the property meets the test of physical possibility.
3. Financial Feasibility: It would not be financially feasible to develop a “spec” for lease warehouse or office development on the subject site at this time. Feasibility rents would not be sufficient to justify the cost of construction of a good quality, Class “A” building. In addition, the prolonged lease-up phase would also add to the difficulty in meeting the test of financial feasibility. However, a build-to-suit or owner/user development could be financially feasible.
4. Maximum Productivity: The maximum return to the land would be generated by developing the parcel to a warehouse/distribution facility or some other light industrial development as opposed to an office use.

Conclusion: The highest and best use of the site as if vacant would be for its development to a warehouse/distribution facility on a build-to-suit basis or for an owner user. A spec-for-lease building would also be feasible only if a substantial amount of the building (65% to 75%) was pre-leased.

Highest and Best Use As Improved:

The subject site is developed with a 102,847 square foot, concrete tilt-up, warehouse/distribution building that has been leased to an international credit rated company for a term of 10 years. The improvements meet the test of legal permissibility and the test of physical possibility. The improvements are considered financially feasible since the property is leased to a strong credit rated company with over six years remaining on a 10-year lease with options to renew.

Since the improvements are new and functionally conforming for the tenant, there is no legal or economic justification to remove the improvements and redevelop the site to an alternative use. Thus, the subject property as developed represents the highest and best use of the site.

XII. VALUATION METHODOLOGY:

There are three generally accepted approaches available in the valuation of real property. They are the Sales Comparison, Cost and Income Approaches. In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality of information available.

The Final Estimate of value considers the result of each approach used in this report. If more than one approach has been found applicable to the subject property, a correlation of indicated values will be performed to establish a final value.

To form an opinion of value for the subject property, just the Sales Comparison and Income Approaches were used. The Cost Approach was not used in the valuation process since buyers of

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the subject property would not give much weight to this valuation methodology since they would be relying on the income stream generated by the existing lease on the property. Thus, a buyer would give the greatest weight to the Income Approach followed by the Sales Comparison Approach. Since market participants would give little to no weight to the Cost Approach, it has been excluded from the valuation process. The absence of the Cost Approach does not weaken the final opinion of value that was based on the Sales Comparison and Income Approaches to value.

Sales Comparison Approach:

***DEFINITION:** "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 data are available. (The Dictionary of Real Estate Appraisal, 5th Edition, Chicago: Appraisal Institute, 2010, page 175)*

The Sales Comparison Approach to value utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject property. This is done for both land and improved property. Valuation is often accomplished using a unit of comparison such as price per square foot, price per unit, gross or net rent multipliers. Adjustments are applied to the unit of comparison from the comparable sales, and the unit of comparison chosen for the subject is then used to yield a total value.

Income Approach:

***DEFINITION:** "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 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." (The Dictionary of Real Estate Appraisal, 5th Edition, Chicago: Appraisal Institute, 2010, page 99)*

This approach can be computed by two different methods. One is the Direct Capitalization Method, wherein the format is to determine the income producing capacity of the property on a stabilized basis by estimating market rent, making deductions for vacancy and collection losses and building expenses, then directly capitalizing the net income at a market derived rate to arrive at an indication of value. The overall capitalization rate is an income rate which represents the relationship between net income and value as determined in the market.

The other is the Yield Capitalization Method, which uses the discounting procedure to convert future benefits, net cash flows and reversion, to a present value on the premise of a required level of profit or rate of return on invested capital.

Depending upon the property type and investment qualities of the property, either one or both of these methods may be used in the Income Approach section of the appraisal. For this appraisal the appraiser has used just the Direct Capitalization Method.

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XIII. SALES COMPARISON APPROACH:

Improved Properties:

The appraiser has used the Sales Comparison Approach to form an opinion of value for the subject property as it is currently developed.

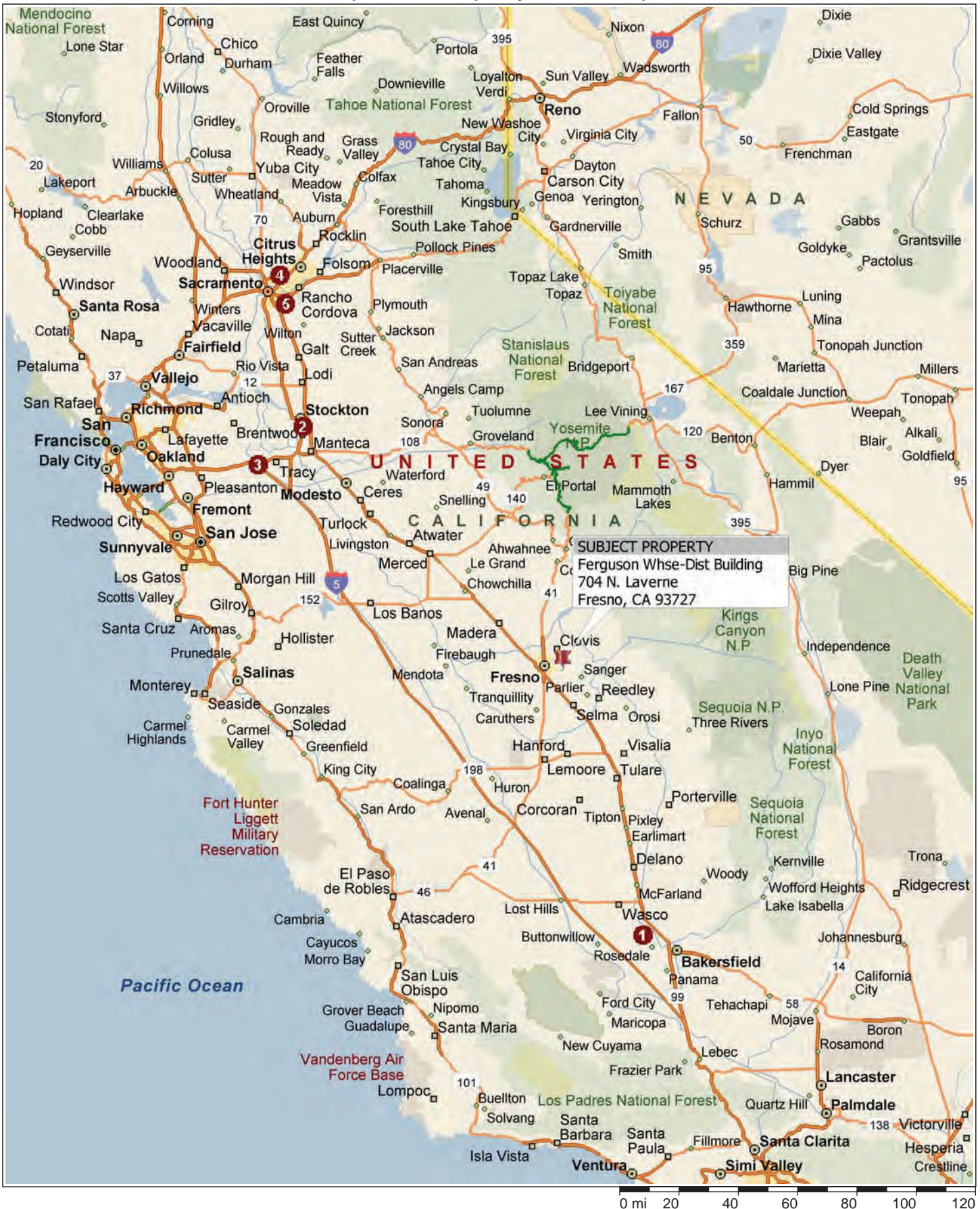
The appraiser has attempted to find sales of good quality, Class “A,” investment grade warehouse/distribution properties that were leased to credit rated tenants in the Fresno area. Due to the lack of sales of this type of property in the Fresno area, the appraiser has had to expand the sales search to other areas within the Central California area. The appraiser has discovered comparable sales that were located in Shafter, Stockton, Tracy, and two sales from the Sacramento region.

On the *following* page is a table entitled “Industrial Improved Property Sales” summarizing these sales.

INDUSTRIAL IMPROVED PROPERTY SALES

Sale No.	Location A. P. N.	Sale Date Sale Price Terms	Bldg. Size % Office Bldg. Type	Price/SF	Land Size (Acres) Bldg/Land Ratio	Gross Income Rent/SF/MO Type of Lease	Vacancy % Vacant	Effective Gross Income Expenses	N.O.I. \$/SF/YR Net/Gross %	OAR	Yr. Bldg/Equip Condition Quality	Type of Constr. Clear Height Loading	Sprinklers Rail	Grantor Grantee Document # Exposure Time
1	5000 Fanucchi Way Shafter, CA Kern County 091-260-14	Jan-11 \$6,000,000 All-Cash	168,000 2.6% WH/Dist.	\$35.71	8.60 44.8%	\$747,063 \$0.37 NNN	\$74,706 10.00%	\$672,357 \$133,320	\$539,037 \$3.21 72.15%	8.98%	2000/11 Years Avg-Good Average Class "C"	Concrete T/U 30' Ground Level & Dock-High	ESFR No Rail	ITTC Building No. 1 Roll RE Development III 11-9661 9 months
2	811 Zephyr Dr. Stockton, CA San Joaquin County 177-270-20, 22	Feb-12 \$24,350,000 All-Cash	512,000 2.0% WH/Dist.	\$47.56	21.39 55.0%	\$1,777,550 \$0.289 NNN	\$0 0.00%	\$1,777,550 \$51,972	\$1,725,578 \$3.37 97.08%	7.09%	1987/10 Years Average-Good Average Class "C"	Concrete T/U 28'-33' Ground Level & Dock-High	ESFR No Rail	Buzz Oates AP Zephyr St 12-012791 24 months
3	25176-25188 S. Schulte Rd. Tracy, CA San Joaquin County 209-440-19	Aug-11 \$9,197,368 All-Cash	200,000 3.0% WH/Dist.	\$45.99	11.07 41.5%	:: ::	:: ::	:: ::	\$641,976 \$3.21 N/A	6.98%	1999/10 Years Average Average Class "C"	Concrete T/U 30' Ground Level & Dock-High	ESFR No Rail	Prologics LP Clarion Partners 11-0666501 3 months
4	1835 Diesel Dr. Sacramento, CA Sacramento County 238-0220-034	Jun-11 \$4,750,000 All-Cash	108,000 2.0% WH/Dist.	\$43.98	6.76 36.7%	\$408,600 \$0.315 NNN	\$8,172 0.00%	\$400,428 \$6,006	\$394,422 \$3.65 96.53%	8.30%	2000/6 Years Good Average Class "C"	Concrete T/U 30' Ground Level & Dock-High	ESFR No Rail	Toolan Trust Libitzky Holdings LP 11-06230881 45 days
5	6350 Sky Creek Dr. Sacramento, CA Sacramento County 062-0130-026 062-0150-044	Jul-12 \$6,325,000 All-Cash	108,956 2.0% WH/Dist.	\$58.05	6.04 41.4%	\$479,435 \$0.367 NNN	:: ::	:: ::	\$479,435 \$4.40 N/A	7.58%	2001/8 Years Average Average Class "C"	Concrete T/U 28'-32' Ground Level & Dock-High	ESFR No Rail	Plant Brothers Matsumura Family Trust 12-07021442 N/A

Improved Property Sales Map



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Improved Industrial Sale No. 1

Property Identification

Record ID	2498
Address	5000 Fanucchi Way
City	Shafter
County	Kern
State	CA

Site Data

APN	091-260-14
Land Area SF	374,822
Land Area AC	8.605
Topography	Level
Utilities	All available
Zoning	I (Industrial)
Rail	No



Improvement Data

Size SF	168,000
Construction Type	Concrete tilt-up
Roof Type	Built up
Foundation	Concrete at grade
HVAC	Office only
Sprinklers	ESFR
Stories	Single
Year Built	2000
Floor Height	At grade
Condition	Good
Dock Height	Dock High & Ground Level

Income Analysis

Occupancy	Stabilized
Potential Gross Income	\$747,063
Vacancy	\$74,706
Effective Gross Income	\$672,357
Expenses	\$133,320
Net Operating Income	\$539,037

Sale Data

Grantor	ITTC Building No. 1 LLC
Grantee	Roll Real Estate Dev II LLC
Sale Date	November, 2011
Document No.	11-9661
Property Rights	Leased Fee
Marketing Time	9 Months
Conditions of Sale	Market
Financing	All Cash
Verification	CBRE Broker
Confirmed By	Peter S. Cooper
Sale Price	\$6,000,000

Indicators

Sale Price/SF	\$35.71
Floor Area Ratio	0.45
Gross Income Multiplier	8.03
Expenses/SF	\$0.79
Overall or Cap Rate	8.98%
Net Operating Income/SF	\$3.21

Remarks

The sale property is a 168,000 square foot, modern, multi-tenant warehouse/distribution building on the north line of Fanucchi Way, east of Enterprise Street in Shafter, California. The property is part of the International Trade and Transportation Center (ITTC), a 700-acre industrial park. The building was constructed in 2000 and is of average quality, concrete tilt-up construction. The basic construction is concrete slab at grade, 30-foot clear heights, and a built-up roof covering. The building had 24 dock-high truck doors and 2 ground level doors. The column spacing is 50'x56'. The building has an ESFR fire sprinkler system, T-8 fluorescent and metal halide lighting, and a 277/480-volt, 400-amp., 3-phase, 4-wire electrical system. The building was in good condition at the sale date. On-site improvements included concrete and asphalt paving and parking for 79 cars. The parking index was .47 cars per 1,000 square feet of building area.

The building was fully leased to 2 tenants. The tenants included Hillman Fasteners who occupied 84,000 square feet and

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Improved Industrial Sale No. 1

State Farm Insurance Company who occupied the balance of the building which was also 84,000 square feet.

The Hillman Fastener lease commenced February of 2000 and ended January of 2010. The tenant extended their lease for an additional 4-year period with the rent commencing at \$28,224 per month or \$.336 per square foot per month triple-net. The lease calls for fixed rental increases over the remaining term. State Farm Insurance Company leased the balance of the building, 84,000 square feet, and their lease terminates December of 2011. At the sale date, the rent was \$28,700 per month or \$.34 per square foot per month triple-net. This tenant has one 5-year option to renew at a fair market rent.

The seller of the property was having financial difficulties due to other real estate investments and had been selling off assets. The property was sold to a large agricultural firm who owned land adjacent to the sale property. The buyer of this property also acquired an adjoining building.

SECTION II

Improved Industrial Sale No. 2

Property Identification

Record ID	2765
Address	811 Zephyr Dr.
City	Stockton
County	San Joaquin
State	CA

Site Data

APN	177-270-20, 22
Land Area SF	539,708
Land Area AC	12.390
Topography	Level
Utilities	All available
Zoning	IG (Industrial)
Rail	No



Improvement Data

Size SF	512,000
Construction Type	Average Class C
Roof Type	Flat
Foundation	Concrete at grade
HVAC	Office only
Sprinklers	ESFR
Stories	Single
Year Built	1987
Floor Height	28'-33'
Condition	Avg-Good
Dock Height	Dock High & Ground Level

Income Analysis

Occupancy	Stabilized
Potential Gross Income	\$1,777,550
Vacancy	--
Effective Gross Income	\$1,777,550
Expenses	\$51,972
Net Operating Income	\$1,725,578

Sale Data

Grantor	Buzz Oates
Grantee	AP Zephyr St
Sale Date	February, 2012
Document No.	12-012791
Property Rights	Leased Fee
Marketing Time	24 Months
Conditions of Sale	Market
Financing	All Cash
Verification	Integra
Confirmed By	Peter S. Cooper
Sale Price	\$24,350,000

Indicators

Sale Price/SF	\$47.56
Floor Area Ratio	0.95
Gross Income Multiplier	13.70
Expenses/SF	\$0.10
Overall or Cap Rate	7.09%
Net Operating Income/SF	\$3.37

Remarks

Original list price of \$25.7M and spent roughly two years on the market, which reflected an all cash investor purchase. Single-tenant building 100% leased to Advanced H2O LLC thru June 10, 2022. Income at time of sale was \$1,725,578 (\$0.281/SF), which indicates a cap rate of 7.09% (no deducts utilized due to long-term lease 10.5 yrs. remaining at time of sale). Although built in 1987, the building reportedly contains no deferred maintenance as the seller installed a new roof in 2008, paint work and parking lot repairs. The building has 30 loading docks, 5 drive-in doors, sprinklers, rail service, column spacing of 30'w x 60'd, skylights, and power of 8,000 amps/120-208V 3-Phase.

SECTION II

Improved Industrial Sale No. 3

Property Identification

Record ID	2766
Address	25176-25188 S. Schulte Rd.
City	Tracy
County	San Joaquin
State	CA

Site Data

APN	209-440-19
Land Area SF	482,209
Land Area AC	11.070
Topography	Level
Utilities	All available
Zoning	I-L (Industrial)
Rail	No



Improvement Data

Size SF	200,000
Construction Type	Average Class C
Roof Type	Flat
Foundation	Concrete at grade
HVAC	Office only
Sprinklers	ESFR
Stories	Single
Year Built	1999
Floor Height	30'
Condition	Average
Dock Height	Dock High & Ground Level

Income Analysis

Occupancy	Stabilized
Potential Gross Income	--
Vacancy	--
Effective Gross Income	--
Expenses	--
Net Operating Income	\$641,976

Sale Data

Grantor	Prologics LP
Grantee	Clarion Partners
Sale Date	August, 2011
Document No.	11-0666501
Property Rights	Leased Fee
Marketing Time	3 months
Conditions of Sale	Market
Financing	All Cash
Verification	Integra
Confirmed By	Peter S. Cooper
Sale Price	\$9,197,368

Indicators

Sale Price/SF	\$45.99
Floor Area Ratio	0.41
Gross Income Multiplier	--
Expenses/SF	--
Overall or Cap Rate	6.98%
Net Operating Income/SF	\$3.21

Remarks

All cash purchase as part of a sale of 2,794,357 SF for \$118M 13-property portfolio or \$42.23/SF with 91 % occupancy and spent 100 days on the market. The subject's allocated price was \$9,197,368. Reportedly, the buyer made the acquisition to increase the size of their industrial portfolio in strong markets. The building has 43 loading docks, ESFR sprinklers, 47 drive-in doors, column spacing of 56'w x 50'd, and power of 600-1,000 amps/277-4BOV 3-Phase, which is fully occupied by three tenants.

SECTION II

Improved Industrial Sale No. 4

Property Identification

Record ID	2767
Address	1835 Diesel Dr.
City	Sacramento
County	Sacramento
State	CA

Site Data

APN	209-440-19
Land Area SF	294,466
Land Area AC	6.760
Topography	Level
Utilities	All available
Zoning	M-1 S (Industrial)
Rail	No



Improvement Data

Size SF	108,000
Construction Type	Average Class C
Roof Type	Flat
Foundation	Concrete at grade
HVAC	Office only
Sprinklers	ESFR
Stories	Single
Year Built	2000
Floor Height	30'
Condition	Average
Dock Height	Dock High & Ground Level

Income Analysis

Occupancy	Stabilized
Potential Gross Income	\$408,600
Vacancy	\$8,172
Effective Gross Income	\$400,428
Expenses	\$6,006
Net Operating Income	\$394,422

Sale Data

Grantor	Toolan Trust
Grantee	Libitzky Holdings LP
Sale Date	June, 2011
Document No.	11-06230881
Property Rights	Leased Fee
Marketing Time	45 days
Conditions of Sale	Market
Financing	All Cash
Verification	Integra
Confirmed By	Peter S. Cooper
Sale Price	\$4,750,000

Indicators

Sale Price/SF	\$43.98
Floor Area Ratio	0.37
Gross Income Multiplier	11.63
Expenses/SF	\$0.06
Overall or Cap Rate	8.30%
Net Operating Income/SF	\$3.65

Remarks

Recent sale of a 108,000 square foot industrial warehouse building located in North Sacramento. The building was 100% leased to a single tenant on a 5 year term with an October 2010 lease commencement.

SECTION II

Improved Industrial Sale No. 5

Property Identification

Record ID	2768
Address	6350 Sky Creek Dr.
City	Sacramento
County	Sacramento
State	CA

Site Data

APN	062-0130-026; 062-0150-044
Land Area SF	263,102
Land Area AC	6.040
Topography	Level
Utilities	All available
Zoning	M-2 S (Industrial)
Rail	No



Improvement Data

Size SF	108,956
Construction Type	Average Class C
Roof Type	Flat
Foundation	Concrete at grade
HVAC	Office only
Sprinklers	ESFR
Stories	Single
Year Built	2001
Floor Height	28'-32'
Condition	Average
Dock Height	Dock High & Ground Level

Income Analysis

Occupancy	Stabilized
Potential Gross Income	\$479,435
Vacancy	--
Effective Gross Income	\$479,435
Expenses	--
Net Operating Income	\$479,435

Sale Data

Grantor	Plant Brothers
Grantee	Matsumura Family Trust
Sale Date	July, 2012
Document No.	12-07021442
Property Rights	Leased Fee
Marketing Time	n/a
Conditions of Sale	Market
Financing	All Cash
Verification	Integra
Confirmed By	Peter S. Cooper
Sale Price	\$6,325,000

Indicators

Sale Price/SF	\$58.05
Floor Area Ratio	0.41
Gross Income Multiplier	13.19
Expenses/SF	--
Overall or Cap Rate	7.58%
Net Operating Income/SF	\$4.40

Remarks

The building is 100% leased to two tenants, Iron Mountain Information Management and Olsen-Fielding Moving Services. The tenants have leases that expire between July 31, 2021 and September 30, 2021. The average rental rate is \$.37± per square foot per month triple-net which is considered to be at market levels. The sale was structured with a down payment of \$2,875,000 (45.5%) and the balance (\$3,450,000) financed by Tri Counties Bank.

SECTION II

Summary and Reconciliation of the Building Sales:

The appraiser has used a quantitative adjustment method with which to adjust the sales for various elements of comparison such as property rights conveyed, financing, conditions of sale, date of sale, expenditures after sale, location, building size, effective age and condition, quality of construction, clear height, truck loading facilities, building coverage, and rail.

The appraiser has not made any adjustments for any improvement bonds that will impact the subject property since it is assumed that if the comparables were effected by bonds that the CFD (community facility district) bond payments would be passed through to the tenant on triple-net leases.

On the *following* page is a building sales adjustment grid showing the various adjustments. Each of the elements of comparison will be discussed as follows:

Property Rights Conveyed: The property rights being appraised for the subject is the leased fee estate.

All of the sales involved the transfer of leased fee interests, therefore, no adjustments were warranted.

Financing: All of the sales were considered to be all-cash equivalent transactions, therefore, no adjustments were warranted.

Conditions of Sale: All of the sales were arm's length transactions, therefore, no adjustments were warranted.

Date of Sale: The effective date of value is September 19, 2012.

The sales took place between June of 2011 and July of 2012. All of the sales are considered to be current transactions, therefore, no adjustments were warranted.

Expenditures After Sale: None of the sales required any expenditures by the buyers, therefore, no adjustments were warranted.

Location: The subject property is located in the southeast industrial sector of Fresno, one of the main industrial districts serving the community of Fresno.

Sale 1 is located in a smaller farming community located north of Bakersfield, thus, this location is considered to be inferior to the subject requiring an upward adjustment of 10%.

Sale 2 is located in the community of Stockton which is considered similar to the subject, therefore, no adjustment was warranted.

Sales 3, 4, and 5 were located in stronger light industrial-warehouse/distribution markets than Fresno, thus, a downward adjustment of 10% was applied.

IMPROVED PROPERTY SALES ADJUSTMENT GRID AT STABILIZED OCCUPANCY

Category/Sale Number:	Subject	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5
Property Location:	704 N. Laverne Ave., Fresno	5000 Panucchi Way, Shafter	811 Zephyr Dr., Stockton	25176-26188 S. Schulte, Tracy	1835 Diesel Dr., Sacramento	6350 Sky Creek Dr., Sacramento
Building Effective Age/Condition:	3 Years/Very Good	11 Years/Avg. Good	10 Years/Avg. Good	10 Years/Avg. Good	6 Years/Good	8 Years/Average
Building Size - Rentable Area SF:	102,847	188,000	512,000	200,000	108,000	108,956
% of Office Space:	21.47%	2.60%	2.00%	3.00%	2.00%	2.00%
Quality of Construction:	Good, Class C	Average, Class C	Average, Class C	Average, Class C	Average, Class C	Average, Class C
Building Coverage:	26.5%	44.80%	55.00%	41.50%	36.70%	41.40%
Use:	Showerroom & Whse/Dist	Warehouse/Distribution	Warehouse/Distribution	Warehouse/Distribution	Warehouse/Distribution	Warehouse/Distribution
Standard Occupancy:	Yes	Yes	Yes	Yes	Yes	Yes
Contract Rent/Type of Lease:	\$.91/SF/MO NNN	Average \$.37/SF/MO NNN	\$.289/SF/MO NNN	\$.315/MO NNN	\$.315/MO NNN	\$.367/SF/MO Triple-Net
Average NOI/SF/YR at Stabilized Occupancy:	\$4.26	\$3.21	\$3.37	\$3.21	\$3.65	\$4.40
SEQUENTIAL ADJUSTMENTS:						
Unadjusted Sales Price:	\$6,000,000	\$24,350,000	\$9,197,368	\$4,750,000	\$4,750,000	\$6,325,000
Property Rights:	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee
Financing Terms:	All Cash	All Cash	All Cash	All Cash	All Cash	All Cash
Percentage Adjustment:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Conditions of Sale:	Market	Market	Market	Market	Market	Market
Time/Market Conditions:	Nov-2012 Appraisal Date	Feb-12	Aug-11	Jun-11	Jul-12	Jul-12
Expenditures After Sale:	None	None	None	None	None	None
Percentage Adjustment:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Price Per SF:	\$35.71	\$47.56	\$47.56	\$45.99	\$43.98	\$58.05
CUMULATIVE ADJUSTMENTS:						
Location:	704 N. Laverne Ave., Fresno	inferior	equal	superior	superior	superior
Percentage Adjustment:	10.0%	0.0%	0.0%	-10.0%	-10.0%	-10.0%
Dollar Adjustment:	\$3.57	\$0.00	\$0.00	-\$4.60	-\$4.40	-\$5.81
Building Size (SF% Office):	102,847 SF/21.4%	inferior	inferior	equal	equal	equal
Percentage Adjustment:	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Dollar Adjustment:	\$7.14	\$9.51	\$9.51	\$9.20	\$8.80	\$11.61
Building Effective Age/Condition:	3 Years/Very Good	equal	inferior	equal	equal	equal
Percentage Adjustment:	10.0%	5.0%	5.0%	0.0%	0.0%	0.0%
Dollar Adjustment:	\$3.57	\$2.38	\$2.38	\$0.00	\$0.00	\$0.00
Quality of Construction:	Good, Class C	inferior	inferior	inferior	inferior	inferior
Percentage Adjustment:	5.0%	5.0%	5.0%	10.0%	10.0%	10.0%
Dollar Adjustment:	\$1.79	\$2.38	\$2.38	\$4.60	\$4.40	\$5.81
Clear Height:	30'	equal	equal	equal	equal	equal
Percentage Adjustment:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dollar Adjustment:	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Truck Loading Facilities:	Good	equal	equal	equal	equal	equal
Percentage Adjustment:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dollar Adjustment:	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Building Coverage:	26.5%	inferior	inferior	inferior	inferior	inferior
Percentage Adjustment:	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Dollar Adjustment:	\$1.79	\$2.38	\$2.38	\$2.30	\$2.20	\$2.90
Rail:	None	equal	equal	equal	equal	equal
Percentage Adjustment:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dollar Adjustment:	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Quantity-Quality-Durability of Income Stream:	Average	superior	superior	superior	superior	superior
Percentage Adjustment:	20.0%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%
Dollar Adjustment:	-\$7.14	-\$9.51	-\$9.51	-\$8.20	-\$8.80	-\$11.61
Total Net Adjustments:	30.0%	\$10.72	\$7.14	\$2.30	\$2.20	\$2.90
Indicated Subject Unit Price:		\$46.43	\$54.70	\$46.29	\$46.18	\$60.95

Range: \$46.18/SF to \$60.95/SF
 Mean: \$51.31
 Adjusted To: \$51.50
 Subject Net SF: 102,847
 Indicated Value For Subject: \$5,296,621
 Add Present Worth of Excess Rental Income: \$1,890,000
 Total Indicated Value For Subject: \$7,186,621
Adjusted To: \$7,190,000

SECTION II

Building Size: The subject property has a total of 102,847 square feet of gross building area and 21.4% of this space is devoted to office and showroom space.

All of the sales were considered to be equal as to size but substantially inferior as to the tenant finishes, thus, an upward adjustment of 20% was applied to each of the sales.

Effective Age and Condition: The subject property has an effective age of three years and is in very good condition.

Sales 1 and 2 were considered to be inferior as to age and condition requiring an upward adjustment ranging from 5% to 10%.

Sales 3, 4, and 5 were considered to be similar, thus, no adjustments were warranted.

Quality of Construction: The subject property is considered to be of good quality, Class "C" construction.

All of the sales were considered to be inferior to the subject with respect to quality of construction, thus, an upward adjustment of 5% to 10% was made to the comparables.

Clear Height: The subject property has a clear height of 30 feet.

All of the sales had comparable clear heights, therefore, no adjustments were warranted.

Truck Loading Facilities: The subject has a very good ratio of dock doors to building area.

All of the sales were considered to have comparable loading facilities, therefore, no adjustments were warranted.

Building Coverage: The subject property has a building coverage of 26.5%.

The building coverages for the sale properties was much higher indicating that they did not have the same amount of yard area as the subject property. This is considered to be an inferior feature, thus, the appraiser has made an upward adjustment of 5% to all of the sale properties.

Rail: The subject property does not have access to rail.

None of the comparables were rail served, therefore, no adjustments were warranted.

Quantity, Quality and Durability of the Income Stream: The subject property is leased to Ferguson Enterprises, a division of Woolsey PMC, a British company. The company is considered to be credit rated. The tenant executed a 10-year, 3-month lease that terminates February 1, 2019, which is in approximately 6 years. The current rent equates to \$.919± per square foot per month on a modified triple net lease basis. The lease calls for annual CPI increases capped at 3% per year. The lease is structured on a triple net lease basis with the exception that the tenant will not be responsible for any bond payments or other special tax payments. Thus, this is not considered to be an absolute triple net lease.

SECTION II

Considering the sale comparables were all structured on triple net lease and the contract rents were within the market range for warehouse/distribution and/or light industrial properties, it is the appraiser's opinion that the economics of these properties is superior to that of the subject and should receive a downward adjustment of a minimum of 20%. The subject property's contract rent which is considered to be in excess of market and the inability to pass through special bond payments to the tenant was considered to be an inferior feature to that of the comparable sales. Thus, a downward adjustment of 20% was applied to each of the comparables.

Conclusion: After making the various adjustments, the indicated unit prices ranged from a low of \$46.18 per square foot of building area to a high of \$60.95 per square foot of building area. The mean was indicated at \$51.51, rounded to \$51.50 per square foot of building area. Multiplying this times the total gross building area of 102,847 square feet indicates a value as per the Sales Comparison Approach of \$5,296,621. To this was added the present worth of the excess rental income which was calculated at \$1,890,000 indicating a total value for the subject by way of the Sales Comparison Approach of \$7,186,621, adjusted to \$7,190,000. The present worth of the excess rental income will be discussed further on in this report. Hence, the following:

Price Per Square Foot Method:

Subject Warehouse/Distribution Building:	102,847 SF @ \$60.50/SF	\$5,296,621
<u>Add Present Worth of the Excess Rental Income</u>		<u>1,890,000</u>
Total Indicated Value As Per the Sales Comparison Approach		\$7,186,621
Adjusted to		= <u>\$7,190,000</u>

B. Income Approach To Value:

The Income Approach has also been used in the valuation of the subject property. This approach reflects the subject's income producing capabilities. The Income Approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the Income Approach are the Direct Capitalization Method and the Discounted Cash Flow Analysis (or Yield Capitalization Method).

To form an opinion of the economic value of the property by the Income Approach, the appraiser has used just the Direct Capitalization Method which will be discussed as follows:

Direct Capitalization Method:

Direct Capitalization is the method utilized to convert a single year's estimate of income into a value indication. In direct capitalization, a precise allocation between return on and return of capital is not made, because investor assumptions or forecasts concerning the holding period, pattern of income, or changes in value of the original investment are not simulated in this method. Direct capitalization is most appropriate when analyzing a stable income stream and in estimating the reversion at the end of a holding period.

SECTION II

Using this method requires the following steps:

1. Estimate the total gross potential income from all sources that a competent owner should be able to generate from a property based on existing and/or market rents.
2. Deduct an estimate of vacancy and credit loss to arrive at an effective gross income.
3. Deduct operating expenses from the estimate of the effective gross income. The result is an estimate of stabilized net operating income to be used for the capitalization process.
4. Develop an overall capitalization rate.
5. Divide the net operating income by the overall capitalization rate, which results in a value estimate at stabilized occupancy.
6. Adjust the stabilized value to account for "as is" condition if applicable.

Each of these steps will be discussed as follows:

Potential Gross Income: The developer has entered into a build-to-suit lease with Ferguson Enterprises, a division of Wolseley PLC. Ferguson was founded in 1953 and headquartered in Newport News, Virginia. Ferguson was acquired by Wolseley PLC, a UK based company. Wolseley PLC is the world's largest supplier of plumbing supplies, valves, fittings, and heating and cooling equipment. Ferguson is the country's (USA) largest wholesale distributors of plumbing supplies; pipes, valves, and fittings; heating and cooling equipment; water works; fire protection products; and mechanical and industrial equipment. Ferguson has sales of more than 11 billion dollars and is located in all 50 states, the District of Columbia, Puerto Rico, Mexico, and the Caribbean. Ferguson has more than 22,000 employees in the United States. The parent company, Wolseley PLC, is considered to be an international credit rated company and operates in 27 countries throughout Europe and North America. It employs over 75,000 people and has more than 5,000 branches world-wide.

The tenant has entered into a lease with the developers of the property, Fancher Creek Properties, LLC as landlord, and Ferguson Enterprises as the tenant. The lease was dated July 27, 2007. The lease is for a period of 10 years and 3 months that commenced February 1, 2009 and terminates February 1, 2019. The tenant will receive three months of free rent. The lease is structured on a triple-net lease basis wherein the tenant is responsible for all operating costs associated with the property including taxes and insurance. The lease will have a Proposition 13 Tax Clause, which allows the owners of the property a one-time transfer of ownership and any increase in taxes due to this transfer can be passed through to the tenant. Any other sale of the property during the initial lease term that would trigger an increase in the taxes could not be passed through to the tenant. This would have to be paid by the landlord. Any special real estate assessments, i.e. CFD bonds, would also not be able to be passed through to the tenant.

The beginning contract rent for the property was \$1,050,648 per year or \$87,554 per month. This equates to a contract monthly rental rate of \$.851113± per square foot. The rent is to be increased by an annual CPI adjustment with a cap at 3% per year. The current rent is \$94,546.06 per month or \$.91929± per square foot per month triple-net.

The property is used for the wholesale distribution and retail sales of plumbing, lighting, heating, ventilation, air-conditioning, fire suspension, and other related equipment.

On the *following* page is a synopsis of the lease for the reader's review.

- LEASE SYNOPSIS -

Date of Lease:	July 27, 2007				
Location / Lot ID:	704 North Laverne Avenue, Fresno, CA 93727 / Parcel T of Parcel Map 2004-36				
Type of Property:	Concrete tilt-up, warehouse/distribution building currently under construction.				
Lessor:	Fancher Creek Properties, LLC				
Lessee:	Ferguson Enterprises, a division of Wolseley PLC				
Lease Term: Beginning Date: Termination Date:	10 Years – 3 Months 2-1-2009 2-1-2019				
Options to Extend:	Three 3-year options to renew. Rent to be adjusted annually by a CPI capped at 3% per year.				
Leased Area:	6,136 SF Office 5,152 SF Counter 10,739 SF Showroom 80,820 SF Warehouse <u>102,847 SF Total GLA</u>				
Type of Lease:	Triple Net				
Rental Payment Analysis:	Year	Annual Rent	\$/SF/Yr	\$/SF/Mo	Avg Annual Increase
	2012	\$1,134,553	\$11.03±	\$.91929±	---
	2-10	Annual CPI increase capped at 3% per year.			
Tenant Improvements:	The landlord contributed \$550,000 for additional showroom leasehold improvements; any excess costs are paid by the lessee.				
Free Rent:	3 Months - Free rent has been used.				
Additional Rent:	All common area maintenance including real estate taxes and insurance.				
Permitted Uses:	Wholesale distribution and ancillary retail sales of plumbing, lighting, appliances, heating, ventilation, air-conditioning, fire suppression, lumber, and related building materials and equipment.				
Expense Obligations: <u>Item:</u>	<u>Lessor:</u>	<u>Lessee:</u>	<u>LOI Ref.:</u>		
Real Estate Taxes: Base Year Escalations		x x	Tenant is responsible for a one time increase in property taxes due to the sale or transfer in ownership of the property. The landlord must absorb any tax increase to subsequent sales. Tenant not responsible for special taxes or bonds.		
Insurance: Fire & Ext. Cov. Public Liability		x x			
Management:	x				
Utilities: Electric Gas Sewer Water Solid Waste		x x x x x			
Maintenance: Janitorial Interior of Building Exterior of Building HVAC Electrical Systems Glass	x	x x x x x			
State CAM Charge:		N/A	All expenses are directly paid by the tenant.		

SECTION II

In order to determine whether or not the contract rent as indicated in the lease is at market levels, the appraiser has conducted a rental survey of other warehouse/distribution properties located in the Fresno area. On the *accompanying* page is a table outlining the five rent comparables. These will be discussed as follows:

Rent Comparable 1 - Sleep Train, 3134 South East Avenue, Fresno:

This tenant executed a lease in May of 2012 for 3,296 square feet of rentable area. The lease was executed for a 10-year term that commenced May 1, 2012. The beginning monthly rent was \$7,454.72 per month or a rental rate of \$.32 per square foot per month. The rent increases 5% per year. The lease was structured on a triple-net lease basis and the estimated common area maintenance charges were estimated at \$.05 per square foot per month.

The building is a multi-tenant concrete tilt-up warehouse/distribution building that was constructed in 2004. The building has 28'-30' clear heights in both the dock-high and ground level doors. The building has an ESFR sprinkler system. The building is not served by rail.

This building is considered to be superior to the subject as to quality of construction.

Rent Comparable 2 - Metro Auto Warehouse, 3115 South Willow Avenue, Fresno:

This tenant leased 39,200 square feet out of a larger concrete tilt-up, multi-tenant warehouse/distribution building located in the southerly sector of Fresno. The tenant signed a five-year that commenced January of 2012 at a beginning rent of \$.30 per square foot per month triple-net. The lease calls for annual rental increases of \$.01 per square foot per month over the remaining term. The common area maintenance charges were estimated at \$.05 per square foot per month.

The building is of concrete tilt-up construction that was completed in 2002. The building is in good condition. The building has 28'-30' clear heights and there is ample dock-high doors and ground level doors to serve this tenant as well as the other tenants in the building. The building has an ESFR sprinkler system. The building is not served by rail.

The tenant took the space on an "as is" basis and no rent concessions were given to the tenant.

Rent Comparable 3 - WDS, Inc., 2855 South Elm Avenue, Fresno:

WDS, Inc. signed a three-year lease commencing December 1, 2011 for 45,486 square feet of warehouse/distribution space in a multi-tenant distribution building. The tenant's lease commenced at a rental rate of \$.30 per square foot per month triple-net and had rental increases over the term of the lease. There was free rent given in Month 25 and a reduced rent for two months starting in the 26th through the 27th month. The lease was structured on a triple-net lease basis.

The building is a multi-tenant warehouse/distribution facility that was constructed in 2002 and is considered to be in good condition. The building has 28'-30' wall heights with ESFR

RENT COMPARABLES

<u>Rent No.</u>	<u>Tenant Location</u>	<u>Leased Space % Finished Office</u>	<u>Contract Rent/Mo</u>	<u>Rent/SF/MO</u>	<u>Lease Structure</u>	<u>Lease Term</u>	<u>Start Date End Date</u>	<u>Rent Adj.</u>	<u>Total Bldg Area SF Single Tenant or Multi Tenant</u>	<u>Bldg. Type Quality of Constr Eff Age/Condition</u>	<u>Clear Height Fire Sprinkler Rating Loading Bldg Coverage Rail</u>
1	Sleep Train 3134 S. East Ave. Fresno, CA	<u>23,296</u> 12%	\$7,454.72	\$0.32	NNN	10 Years	4/1/2012 3/30/2022	5% per year increase	93,184 SF Multi Tenant	Whse/Distribution Avg. Class C 6 Yrs / Avg-Good	30' <u>ESFR</u> Dock High & Ground Level 13% No
2	Metro Auto Warehouse 3115 S. Willow Ave. Fresno, CA	<u>39,200</u> 4%	\$12,544.00	\$0.32	NNN	5 Years	1/1/2012 12/31/2016	\$0.01/SF/MO increase per year	89,600 SF Multi Tenant	Whse/Distribution Avg. Class C 8 Yrs / Avg-Good	30' <u>ESFR</u> Dock High & Ground Level 49% No
3	WDS Inc. 2855 S. Elm Ave. Fresno, CA	<u>45,486</u> 2%	\$13,645.80	\$0.30	NNN	3 Years	12/1/2011 11/30/2014	Mos 1-12 = \$0.30 Mos 13-24 = \$0.31 Mos 25-27 = \$0.16 Mos 28-36 = \$0.32	409,374 SF Multi Tenant	Whse/Distribution Avg. Class C 8 Yrs / Avg-Good	\$28 <u>ESFR</u> Dock High & Ground Level 38% No
4	American Promo Events 2945 S. Elm Ave. Fresno, CA	<u>34,200</u> 14.6%	\$12,996.00	\$0.38	NNN	6 Yrs, 7 Mos	6/1/2011 12/30/2016	Flat	116,964 SF Multi Tenant	Whse/Distribution Avg. Class C 4 Years / Good	24' <u>ESFR</u> Dock High & Ground Level 42% No
5	Li Destri Foods 4401 E. Central Ave. Fresno, CA	<u>72,252</u> 0.0%	\$22,253.62	\$0.308	NNN	3 Years	1/1/2012 12/31/2014	Yr 1 = \$0.308 Yr 2 = \$0.316 Yr 3 = \$0.324	282,420 SF Multi Tenant	Whse/Distribution Avg. Class C 14 Years / Average	30' <u>ESFR</u> Dock High & Ground Level 40% No

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sprinkler systems, and ample dock-high doors and ground level doors. The building is not rail served.

Rent Comparable 4 - Americal Promo Events, 2945 South Elm Avenue, Fresno:

The tenant signed a six-year, seven-month lease commencing June 1, 2011 at a rent of \$12,996 per month or \$.38 per square foot per month triple-net. The lease remains flat over the initial lease term.

The building is considered to be an average quality, Class "C," warehouse/distribution building that contains a total of 116,964 square feet of gross building area. The building is a multi-tenant warehouse/distribution facility. The building has an effective age of four years and is considered to be in good condition.

The building has 24' clear heights, an ESFR rated sprinkler system, ground level and dock-high loading, and has a building coverage of 42%.

The building is located in the southwest industrial district of Fresno just west of Highway 99 to the north of North Avenue.

Rent Comparable 5 - Li Destri Foods, 4401 East Central Avenue, Fresno:

Rent Comparable 6 represents a renewal of a tenant that is located within a larger concrete tilt-up warehouse/distribution building situated in the southeasterly sector of Fresno. The tenant occupies 72,252 square feet. The lease was renewed for three years at a beginning rent of \$.308 per square foot per month. The rent increases \$.05 per square foot per month per year. The lease was structured on a triple-net lease basis.

The building was constructed in 1998 and is considered to be in good condition. The building has ample ground level doors and dock-high doors. The building's clear height is 30'. The building also has an ESFR rated sprinkler system.

The rent comparables were compared to the subject and adjustments were made with respect to lease structure, market conditions, location, and physical characteristics such as the building type and quality of construction, effective age and condition, size of space, percentage of showroom and office space, and building coverage.

On the *following* page is a rental adjustment grid showing the adjustments made to each of the rent comparables.

RENT ADJUSTMENT GRID

Comparable Rental	Subject	Rent #1	Rent #2	Rent #3	Rent #4	Rent #5
Building Type Location	Whse/Distribution SE Fresno	Whse/Distribution SE Fresno	Whse/Distribution SE Fresno	Whse/Distribution SE Fresno	Whse/Distribution SW Fresno	Whse/Distribution SE Fresno
Bldg. Quality of Constr.	Avg-Good Class C	Average Class C	Average Class C	Average Class C	Average Class C	Average Class C
Ef. Bldg. Age & Condition	3 Yrs / Very Good	8 Yrs / Avg-Good	8 Yrs / Avg-Good	8 Yrs / Avg-Good	4 Yrs / Good	14 Yrs / Average
Space Size (SF)	102,847	23,296	39,200	45,486	34,200	72,252
Date of Lease	7/27/2007	4/1/2012	1/1/2012	12/1/2011	6/1/2011	1/1/2012
Lease Term	10 Years	10 Years	5 Years	3 Years	6 Yrs. 7 Mos	3 Years
Type of Lease	NNN	NNN	NNN	NNN	NNN	NNN
Lease Rate / SF / MO	\$0.9193	\$0.32	\$0.32	\$0.30	\$0.38	\$0.308
ELEMENTS OF COMPARISON						
Lease Structure						
Type Lease	NNN	NNN	NNN	NNN	NNN	NNN
Lease Rate / SF / MO	\$0.9193	\$0.32	\$0.32	\$0.30	\$0.38	\$0.308
Expense Adj.	--	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Conversion to NNN	\$0.9193	\$0.32	\$0.32	\$0.30	\$0.38	\$0.308
Market Conditions						
Date of Lease	Start Date	1/1/2012	1/1/2012	12/1/2011	6/1/2011	1/1/2012
Percentage Adj.	2/1/2009	0.00%	0.00%	0.00%	0.00%	0.00%
Adj. Rental Rate		\$0.32	\$0.32	\$0.30	\$0.38	\$0.308
Physical Adj. (%)						
Location	SE Fresno	Equal	Equal	Equal	Equal	Equal
Percentage Adj.		0.00%	0.00%	0.00%	0.00%	0.00%
Dollar Adj.		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Building Type/Quality	Avg-Good Class C	Inferior	Inferior	Inferior	Inferior	Inferior
Percentage Adj.		10.00%	10.00%	15.00%	10.00%	20.00%
Dollar Adj.		\$0.03	\$0.03	\$0.05	\$0.04	\$0.06
Ef. Bldg. Age/Condition	3 Yrs / Very Good	Inferior	Inferior	Inferior	Equal	Inferior
Percentage Adj.		5.00%	5.00%	5.00%	0.00%	5.00%
Dollar Adj.		\$0.02	\$0.02	\$0.02	\$0.00	\$0.02
Size of Space (SF)	102,847	Equal	Equal	Equal	Equal	Equal
Percentage Adj.		0.00%	0.00%	0.00%	0.00%	0.00%
Dollar Adj.		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Percent of Showroom & Office	21.4%	Inferior	Inferior	Inferior	Inferior	Inferior
Percentage Adj.		40.00%	40.00%	40.00%	40.00%	40.00%
Dollar Adj.		\$0.13	\$0.13	\$0.12	\$0.15	\$0.12
Bldg. Coverage	26.5%	Equal	Inferior	Inferior	Inferior	Inferior
Percentage Adj.		0.00%	5.00%	5.00%	5.00%	5.00%
Dollar Adj.		\$0.00	\$0.02	\$0.02	\$0.02	\$0.02
Total Net Adjustments	Percentage Adj. Dollar Adj.	55.00% \$0.18	60.00% \$0.19	65.00% \$0.20	55.00% \$0.21	70.00% \$0.22
Indicated Rental Rate for the Subject (\$/SF)		\$0.50	\$0.51	\$0.50	\$0.59	\$0.52

Range: \$0.50/SF to \$0.59/SF
Mean: \$0.52/SF
Say: \$0.52/SF

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Each of these elements of comparison will be discussed as follows:

Warehouse Space Rental Adjustments

Lease Structure:	All of the rent comparables were structured on a triple-net lease basis, and since this is the same lease structure for the subject property, no adjustments for the lease structure was required.
Market Conditions:	<p>The subject's lease commenced February of 2009.</p> <p>All of the rent comparables were current transactions and ranged between June of 2011 and April of 2012, thus, no adjustments for market conditions were warranted.</p>
Location:	<p>The subject property is located in the southeast sector of Fresno.</p> <p>All of the rent comparables are located in the southwest or southeast industrial sectors of Fresno and are considered to be comparable to the subject's location, therefore, no adjustments were warranted.</p>
Building Type and Quality of Construction:	<p>The subject property is of average to good quality, Class "C" (concrete tilt-up) construction.</p> <p>The building also has a high percentage of dock doors to the total floor area and has good tenant finishes.</p> <p>The rent comparables are considered to be inferior as to quality of construction, thus, an upward adjustment of 10% to 20% was applied to these comparables.</p>
Effective Age and Condition:	<p>The subject property has an effective age of three years and is in very good condition.</p> <p>Rent Comparables 1, 2, 3, and 5 were considered to be slightly inferior, thus, an upward adjustment of 5% was applied.</p> <p>Rent Comparable 4 was considered to be equal, thus, no adjustment was warranted.</p>
Size of Space:	<p>The subject building contains a total of 102,847.</p> <p>The lease comparables ranged from a low of 23,296 square feet to 72,252 square feet. It is the appraiser's opinion that although these spaces are smaller than the subject, there is not too much difference in size that would require a rental adjustment.</p>

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Warehouse Space Rental Adjustments

Percent of Showroom and Office Space:	<p>The subject property has a total of 21.4% of finished showroom and office space.</p> <p>The rent comparables had a much lower percentage of office space which is considered to be an inferior feature, thus, the appraiser has made an upward adjustment of 40% to each of the comparables.</p>
Building Coverage:	<p>The subject property has a coverage of 26.5%.</p> <p>The rent comparables had building coverages ranging from a low of 13% with the majority having coverages ranging from 38% to 49%. Rent Comparable 1 had the lowest coverage which is similar to the subject, therefore, no adjustment was warranted.</p> <p>Rent Comparables 2-5 had much higher building coverages which is considered to be an inferior feature, thus, an upward adjustment of 5% was applied to each of these comparables.</p>

Conclusion of the Warehouse Space Rental Adjustments:

After making the various adjustments, the indicated rental rate for the subject property ranged from a low of \$.50 per square foot per month triple-net to a high of \$.59 per square foot per month triple-net. The midpoint of the range was indicated at \$.52 per square foot per month triple-net. Thus, it is the appraiser's opinion the subject property has a current market rental rate of \$.52 per square foot per month triple-net. This is substantially lower than the contract rent which was negotiated based on the construction costs of the building. However, in discussions with various industrial brokers and a developer of a substantial amount of warehouse space in the Fresno area, it was their opinion that the subject property could not command the same rental rate that is currently in place. The market would substantially discount the rent for the office and showroom space. On a blended rental basis, the market rent would be in the range of \$.35 per square foot per month for the warehouse space and approximately \$1.00 per square foot per month triple-net for the office, showroom, and counter space.

Thus, based on conversations with industrial brokers and market participants plus analyzing the rent comparables, it is the appraiser's opinion that a market rent for the subject property would be \$.52 per square foot per month triple-net.

The market rent as opposed to the contract rent was used to develop the gross income for capitalization purposes. Since the property is leased to a strong credit rated company, the appraiser has given credit to the excess rent by discounting the difference between the contract and market rent over the remaining term of the lease and adding the present worth of this excess rent back to the economic value of the property and also by adding this to the value developed by the Sales Comparison Approach. The calculation of the excess rent will be presented further on in the Income Approach.

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Based on the market rent of \$.52 per square foot per month triple-net, the total gross potential income for the subject property amounts to \$641,765. Hence, the following:

Gross Potential Annual Income

Ferguson Enterprises Warehouse/Distribution Building: 102,847 SF @ \$.52/SF/MOx12	<u>\$641,765</u>
--	------------------

Vacancy and Credit Loss:

The next step is to deduct a vacancy and credit loss from the gross income to develop an effective gross income.

The current vacancy rate in the southeast industrial submarket of Fresno is 10%. The overall vacancy rate for the Fresno area for industrial properties is 9.6%. For the warehouse/distribution component of the overall vacancy rate, the survey indicates the overall average is 9.2%. Considering the subject property is under lease to a strong credit rated company and there is a little over six years remaining on the lease, it is the appraiser's opinion that a stabilized vacancy rate of 5% would be sufficient to account for any future potential vacancy should the tenant decide not to renew in the future. Deducting a 5% vacancy and credit loss from the gross income results in an effective gross income of \$609,677.

Hence, the following:

Gross Potential Income	\$641,765
<u>Less Vacancy and Credit Loss (5%)</u>	<u>(32,088)</u>
Effective Gross Income	= <u>\$609,677</u>

Nonreimbursable Operating Expenses:

The next step is to deduct the nonreimbursable operating expenses from the effective gross income to arrive at the net operating income for capitalization purposes.

The appraiser has calculated 100% of the various operating expenses required to operate the subject property. Each expense was then multiplied times the vacancy rate of 5% to develop the nonreimbursable operating expense. As an example, the real estate taxes were estimated at \$96,485. Applying a 5% vacancy and credit loss factor to the total real estate tax expense indicates a nonreimbursable amount of \$4,842. This was carried out for each of the operating expenses that were considered to be nonreimbursable. The only nonreimbursable expenses were the CFD bond payment and reserves for replacements.

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Each of the expense categories will be discussed as follows:

Real Estate Taxes: The real estate taxes were estimated at \$84,238. The taxes were computed by multiplying the tax rate of 1.194860% by the economic value of the property of \$7,050,000. This resulted in an indicated real estate tax expense of \$84,238. Of this, 5% or \$4,212 was considered to be nonreimbursable.

FID Metropolitan Flood Fees: This expense amounted to \$1,813 of which \$91.00 is considered to be nonreimbursable.

CFD Bond Payment: The bond payment has been estimated at \$17,074 per acre or a total of \$151,959 based on the information provided by David Taussig and Associates. One hundred percent (100%) of this bond payment is nonreimbursable based on the current lease.

Insurance: The insurance expenses were estimated at \$.19 per square foot per year or \$19,541. Of this amount, \$977 is considered to be nonreimbursable.

Property Management: Property management fees were based at 3% of the effective gross income or \$18,290. Of this, 5% or \$915 is considered to be nonreimbursable.

The property management fees were based on conversations with two property management companies which indicated they could manage a single-tenant warehouse/distribution building between 2.5% and 4.0% of the effective gross income.

Building Maintenance: Building maintenance has been estimated at \$.15 per square foot per year. Of this 5% or \$771 is considered to be nonreimbursable.

Common Area Maintenance: Common area maintenance expenses for such items as landscaping, trash removal, lot sweeping, maintenance, and other common area repairs. This expense has been estimated at \$.20 per square foot per year or \$20,569. Of this, 5% or \$1,028 is considered to be nonreimbursable.

Common Area Utilities: Common area utilities were estimated at \$.25 per square foot per year. Of this, 5% or \$1,286 is considered to be nonreimbursable.

Building Utilities and Janitorial: All building utilities and janitorial expenses are paid directly by the tenant.

Reserves for Replacements: Reserves for replacements are typically not considered to be operating expenses, however, investors will deduct a reserve for the replacement of short lived building components. Investor surveys tend to indicate that the reserves for warehouse/distribution properties will range from \$.05 to \$.15 per square foot per year. The appraiser has estimated this expense at \$.10 per square foot per year or \$10,285. One hundred percent (100%) of this expense is considered to be nonreimbursable.

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Total Operating Expenses: The total operating expenses for the property have been estimated at \$347,834 or \$3.38 per square foot per year or \$.28 per square foot per month. This expense is higher than what is typically found in most distribution buildings, however, the increased expense is attributable to the CFD bond payment and the high real estate taxes that were generated by the higher market rent assigned to the subject property.

Total Nonreimbursable Operating Expenses: The total nonreimbursable operating expenses have been estimated at \$171,524 or approximately 28.1% of the effective gross income. The nonreimbursable operating expenses amounts to approximately \$.14 per square foot per month. The nonreimbursable operating expenses are higher than typically found for industrial buildings with triple net leases. The higher nonreimbursable expenses for the subject are due to the proposed bond payment that cannot be passed through to the tenant.

Net Operating Income:

Deducting the total nonreimbursable expenses of \$171,524 from the effective gross income of \$609,677 indicates a net operating income of \$438,154 or \$4.26 per square foot per year.

Hence, the following:

Effective Gross Income	\$609,677
Less Nonreimbursable Operating Expenses	(171,524)
Net Operating Income	= <u>\$438,154</u>
Net Operating Income/SF/YR	= <u>\$4.26</u>

Overall Capitalization Rate Selection:

The last step is to convert the net income into an economic value. This was accomplished by dividing the net income by an overall capitalization rate that was selected from the market and also from several investor surveys.

The following is a table showing the overall capitalization rates extracted from the sale properties:

MARKET EXTRACTED OVERALL CAPITALIZATION RATES						
<i>Sale No.</i>	<i>Sale Date</i>	<i>OAR %</i>	<i>NO/SF/YR</i>	<i>Sale Price/SF</i>	<i>Year Built</i>	<i>Mkt Rent Yes-No</i>
1	01/11	8.98%	\$3.21	\$35.71	2000	Yes
2	02/12	7.09%	\$3.37	\$47.56	1987	Yes
3	08/11	6.98%	\$3.21	\$45.99	1999	Yes
4	06/11	8.30%	\$3.65	\$43.98	2000	Yes
5	07/12	7.58%	\$4.40	\$58.05	2001	Yes
Subject	Assumed to be remodeled					

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The overall rates extracted from the sales indicated a range from a low of 6.98% to a high of 8.98%. Of these sales, Numbers 1, 4, and 5 would be the best comparables considering their size and locations. Sales 2 and 3 were considered to be superior due to their locations in the Tracy/Manteca/Stockton area which is a much more desirable market for warehouse/distribution properties than the Fresno market. The Sacramento sales were also considered to be fairly comparable to the subject. Sale 1 is considered to be slightly inferior due to its location in a smaller market than the Fresno area. Thus, based on these sales, it is the appraiser's opinion that the subject property could command an overall rate in the area of 8.0% to 8.5%.

The appraiser has also reviewed two investor surveys that were published by PriceWaterhouseCoopers (PWC) and Real Estate Research Corporation (RERC). The overall rates for the surveys were based on institutional grade warehouse/distribution properties. The following table outlines the going-in overall rates extracted from these surveys:

GOING-IN OVERALL CAPITALIZATION RATES INSTITUTIONAL GRADE WAREHOUSE PROPERTIES				
Survey	Date	Property Type	OAR Range	OAR Average
PriceWaterhouseCoopers (PWC)	3 rd Qtr. 2012	National Warehouse Institutional	5.25%-12.00%	7.13%
Real Estate Research Corp. (RERC)	2 nd Qtr. 2012	Warehouse First Tier	5.00%-11.00%	7.60%

As indicated from this table, the overall rates ranged from 5.00% to 12.00%. The average of the rates ranging from a low of 7.13% to 7.60%. These overall rates were based on Class "A" or first tier warehouse/distribution buildings located in core markets throughout the United States. These rates would have to be adjusted upward by 100 to 150 basis points to attract investment funds to the Fresno industrial market. This would indicate an adjusted range from 8.13% to 9.10%.

Based on the overall rates extracted from the sale properties and the overall rates indicated from the two investor surveys, it is the appraiser's opinion the subject property could command an overall rate between an 8.00% and 8.50%. Considering the subject property has just six years remaining on its lease to a credit rated company with the contract rent being substantially over market, it is the appraiser's opinion that the property exhibits some risk due to the potential that the tenant will negotiate a lower rent which could substantially reduce the net income stream for the subject property. In addition, the nonreimbursable bond expenses also add additional risk to the net income stream. This additional risk factor would result in a potential investor applying a higher risk rate to the property. Thus, an overall capitalization rate of 8.50% has been used to develop the economic value for the subject property.

Dividing the net operating income of \$438,154 by an overall rate of 8.50% results in an economic value of \$5,154,747. The next step is to add the present worth of the excess rental income which has been calculated at \$1,890,000. Adding this back to the economic value of the property indicates a total value for the property of \$7,044,747, adjusted to \$7,050,000.

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The present worth of the excess rental income was developed by taking the difference between the current contract rental income and the estimated market rental income and adjusting the difference by the vacancy rate of 5% which indicates a net rent advantage. The rental differential which is considered to be a bonus rent was discounted over the remaining term of the lease of 75 months at a discount rate of 15%. This process resulted in a present worth of the excess rental income of \$1,891,668, adjusted to \$1,890,000. The following present worth analysis table shows the calculations used to develop the present value of the excess rental income.

PRESENT WORTH OF EXCESS RENTAL INCOME

Tenant	Square Feet	Contract Rent/SF/ Month	Monthly Contract Rent	Market Rent/SF/ Month	Monthly Market Rent	Mo Rent Adv.	Gross to Net Conv.	Net Rent Adj.	Date of Next Rental Payment	Current Lease Expires	Diff. in Months	Discount Factor 15%	Gain/Loss Over Term
Ferguson Entr	102,847	\$0.919288	\$94,546.01	\$0.52	\$53,480.44	\$41,065.57	95%	\$39,012.29	11/1/12	2/1/19	75	43.34223%	\$1,891,668
												Adjusted To	<u>\$1,890,000</u>

Adding the excess rental income to the capitalized value of the market rental income indicates a total value by way of the Income Approach of \$7,050,000.

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Hence, the following valuation:

FERGUSON BUILDING				
Income Approach Summary - Leased Fee Interest				
Ferguson Enterprises:	102,847 SF x	\$0.52	/SF/MO x 12	\$ 641,765
<u>Less</u> Vacancy & Credit Loss:	-5.00%			<u>\$ (32,088)</u>
Effective Gross Income (EGI):				\$ 609,677
<u>Less</u> Expenses:	100%	Nonreimbursable 5.00%		
Real Estate Taxes	\$84,238	\$4,212		
Fresno Irrig District Metro Flood	\$1,813	\$91		
CFD Bond Payment	\$151,959	\$151,959		
Insurance	\$19,541	\$977		
Property Management (3%)	\$18,290	\$915		
Building Maintenance	\$15,427	\$771		
Common Area Maintenance	\$20,569	\$1,028		
Common Area Utilities	\$25,712	\$1,286		
Building Utilities	pd by tenant	---		
Janitorial	pd by tenant	---		
Reserves for Replacements	\$10,285	\$10,285		
Total Expenses:	\$347,834			
Total Nonreimbursable Expenses:				<u>\$ (171,524)</u>
Net Operating Income:				\$ 438,154
Net Operating Income/SF/YR				\$ 4.26
Value = Net Operating Income/Overall Capitalization Rate				
Overall Capitalization Rate:	8.50%			
Net Operating Income:	\$ 438,154			
Value:				\$ 5,154,747
Add Present Worth of Excess Rental Income:				<u>\$ 1,890,000</u>
Total Indicated Value For Subject:				<u>\$ 7,044,747</u>
Adjusted To:			Say	<u>\$ 7,050,000</u>

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Reconciliation of the “As Is” Market Value - Leased Fee Interest:

The three approaches to value have been considered in the appraisal process. The appraiser has chosen to use just the Sales Comparison and Income Approaches to value. The value indications derived from these approaches are summarized as follows:

Sales Comparison Approach	=	\$7,190,000
Cost Approach	=	N/A
Income Approach	=	\$7,050,000

The purpose of the reconciliation is to evaluate the inherent strengths and weaknesses of the three individual approaches, and thereby estimate a single stabilized leased fee value estimate for the subject property. The reconciliation provides an opportunity to consider the quantity and quality of the data available under each approach, the advantages or disadvantages of each approach, and the relevancy of each to the subject property and appraisal problem. The three approaches have been discussed below followed by a final value estimate.

Sales Comparison Approach

The Sales Comparison Approach provides an indication of value by way of actual sales of similar properties. The comparable sales were analyzed and adjusted for various attributes in order to estimate a value for the subject. Five sales were used in this analysis. This approach is considered to be a relevant valuation method because it relates directly to the motivations of the buyers in the marketplace. The weakness of this approach relates to the limited quantity of market data and the degree the data is comparable to the subject property. Buyers of investment properties such as the subject generally place less reliance on this approach than on the Income Approach to value, therefore, the Sales Comparison Approach has been given secondary consideration in correlating to a final value estimate. In general, the Sales Comparison Approach is utilized to check the reasonableness of the value as developed by the Income Approach.

Cost Approach

The appraiser has not used the Cost Approach in the valuation process. It is the appraiser's opinion that since the subject is an asset that a buyer would utilize the Income Approach followed by the Sales Comparison Approach. The absence of the Cost Approach is not considered to weaken the final opinion of value since most buyers of income earning properties do not place much reliance on this valuation methodology.

Income Approach

The Income Approach to value is based on the premise that a direct relationship exists between the income-producing potential of a property and its value. In the formulation of the Income Approach, contract rents, market rents, and market expenses were analyzed. The resulting net operating income was then converted to an indication of value via an overall capitalization rate that was obtained from the comparable sales and investor surveys. It is the appraiser's opinion that the Income Approach would be the primary approach utilized by a potential buyer to estimate the value of the property for

SECTION II

acquisition purposes. Therefore, the Income Approach has been given the greatest weight in the reconciliation of the subject's market value assuming it has achieved stabilized occupancy.

“As Is” Market Value as of January 7, 2013 - Leased Fee Interest

The subject project is considered to be an average to good quality, investment grade warehouse/distribution property located in southeast industrial submarkets of Fresno. The most probable buyer of the property would be a high net-worth individual or a limited partnership from the private sector. Given the investment characteristics of the property and the type of buyers that would show the most interest in the property, the Income Approach and the Sales Comparison Approaches would be the most likely valuation methodologies used to make their acquisition decisions.

The Income Approach indicated a value of \$7,050,000, which was based on a Direct Capitalization Method. The Sales Comparison Approach indicated a value of \$7,190,000. Based on these two valuation methodologies, the appraiser has correlated to an “as is” market value of \$7,100,000.

Hence, the following final “as is” market value of the leased fee interest in the subject property as of January 7, 2013:

**“AS IS” MARKET VALUE
(Leased Fee Interest)
as of
January 7, 2013

\$7,100,000**

SECTION III

**VALUATION OF THE FANCHER CREEK BUSINESS PARK
BULK SALE VALUE - 42 FINISHED LOTS AND THE FERGUSON
WAREHOUSE/DISTRIBUTION BUILDING - PARCEL T**

Northwest and Southwest Corners of Belmont and Armstrong Avenues
Fresno, California

APN 313-270-57 to 75 and 77 to 85
APN 310-132-01 to 08 and 310-133-01 to 06

AND

704 North Laverne Avenue
Fresno, California 93727

APN 313-270-76s

SECTION III

FANCHER CREEK BUSINESS PARK BULK SALE VALUE

I. BULK SALE VALUE - 42 FINISHED LOTS AND THE FERGUSON WAREHOUSE/DISTRIBUTION BUILDING - PARCEL T:

Section I of this appraisal develops the retail value for the 42 lots and also a bulk sale value for these parcels. For the full analysis of these values, please refer to this section of the report. The total bulk sale value for the lots of the fee simple leased fee interest as of January 7, 2013, is reported at \$11,000,000.

The second section of the appraisal provides the current “as is” market value of the leased fee interest in Ferguson Enterprises warehouse building that is developed on Parcel T. The total “as is” market value of the leased fee interest as of January 7, 2013, is reported at \$7,100,000. For the full analysis supporting this value, please refer to the second section of this appraisal report.

Combining the bulk sale value of the 42 lots with the “as is” market value of the leased fee interest in the Ferguson warehouse building, results in a total bulk sale “as is” market value for the 42 vacant lots and the one undeveloped lot in the amount of \$18,100,000.

Hence, the following valuation for the total Fancher Creek Business Park property:

Bulk Sale Value 42 Finished Lots (Fee Simple Interest)	\$11,000,000
“As Is” Market Value - Ferguson Warehouse Building (Leased Fee Interest)	<u>\$7,100,000</u>
Total Indicated Bulk Sale Value	= <u><u>\$18,100,000</u></u>

TOTAL BULK SALE VALUE
FANCHER CREEK BUSINESS PARK
(Fee Simple and Leased Fee Interest)
as of
January 7, 2013

\$18,100,000

SECTION IV

SUMMARY OF VALUE CONCLUSIONS / EXPOSURE & MARKETING TIMES

Section I

Fancher Creek Business Park, 42 Finished Office/Industrial Lots
"As Is" Bulk Sale Value

Section II

The Ferguson Enterprises Warehouse/Distribution Building
"As Is" Market Value

Section III

Fancher Creek Business Park, 42 Finished Lots & the
Ferguson Enterprises Warehouse/Distribution Building
Total Bulk Sale Value

SECTION IV

I. SUMMARY OF VALUE CONCLUSIONS:

Section I - Fancher Creek Business Park - 42 Finished Office/Industrial Lots:

“As Is” Bulk Sale Value as of January 7, 2013 (Fee Simple Interest): = \$11,000,000

Section II - The Ferguson Enterprises Warehouse/Distribution Building:

“As Is” Market Value as of January 7, 2013 (Leased Fee Interest): = \$7,100,000

Section III - Fancher Creek Business Park - 42 Finished Lots & the Ferguson Enterprises Warehouse/Distribution Building:

Total Bulk Sale Value of the 42 Finished Lots - Fancher Creek Business Park and the Ferguson Enterprises Warehouse/Distribution Building as of January 7, 2013 (Fee Simple and Leased Fee Interests): = \$18,100,000

II. EXPOSURE AND MARKETING TIMES:

Market value is the value of a property on the effective date of valuation. It represents the most probable price which the property would bring if it were sold on that date and following a reasonable time of exposure to the open market. Market value is valid only on the date it is made, and there is no guarantee that this is the same value the property will bring at a later time. Economic and market conditions as well as the physical status of the property could change to cause the value of the property to increase or decrease over time. Therefore, to completely understand the context surrounding the value estimate being made in this appraisal, it is important to understand the underlying estimate of both the exposure and marketing times associated with selling the subject property at its appraised value. These two time estimates are defined as follows:

Exposure period is 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.

Marketing period means the amount of time necessary to achieve an open market sale of the property under current market conditions and market trends, assuming normal market exposure and the consummation of a sale consistent with the terms and conditions of the definition of market value. Marketing period is not to be confused with absorption period or holding period.

SECTION IV

Each of these time periods will be discussed as follows:

Exposure Time: Based on an analysis of the comparable sales, it is the appraiser's opinion the exposure time for the subject property would be 9 to 12 months.

Hence, the following:

Exposure Time:

"As Is" Market Value as of January 7, 2013 (Leased Fee Interest): 9-12 Months

Marketing Time: Based on current market conditions and a review of several investor surveys and also discussing the subject property with several brokers, it was their opinion that a marketing time for the subject property would be 9 to 12 months.

Hence, the following:

Marketing Time:

"As Is" Market Value as of January 7, 2013 (Leased Fee Interest): 9-12 Months

A D D E N D A

Certification Statement

CERTIFICATION STATEMENT

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

- * The statements of fact contained in this report are true and correct.
- * The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- * I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- * I have 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.
- * The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.
- * The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- * The original date of inspection was September 19, 2012 and was considered to be the effective date of value. However, due to a change in the bond payments, the subject properties have been revalued and the new effective date of value is January 7, 2013.
- * As of the date of this report, Peter S. Cooper has completed the requirements of the continuing education program of the Appraisal Institute.
- * I have the knowledge and experience to complete this appraisal assignment and have appraised this property type before. Please see my accompanying qualifications for additional information.
- * **Disclosure of Prior Appraisal and/or Other Services** ~ I CERTIFY THAT, to the best of my knowledge and belief:

Peter S. Cooper, MAI and/or other appraisers associated with Peter S. Cooper Appraisals have not completed an appraisal nor been involved in any property management or property consulting assignments for the subject property within the last three years.

Dated January 7, 2013, at Fresno, California



PETER S. COOPER, MAI
Certified General Real Estate Appraiser
California License AG007287
License Expiration Date: 8/20/14

Readdressing/Reassigning Appraisal Reports

Peter S. Cooper Appraisals Inc. adheres to the requirements of the 2012-2013 Edition of the Uniform Standards of Professional Appraisal Practice (USPAP). This edition is effective January 1, 2012 through December 31, 2013. The following excerpts pertain to readdressing/reassigning appraisal reports:

Advisory Opinion 26, Page A-86:

Once a report has been prepared for a named client(s) and any other identified intended users and for an identified intended use, the appraiser cannot "readdress" (transfer) the report to another party.

Advisory Opinion 27, Page A-88/89:

Situations often arise in which appraisers who have previously appraised a property are asked by a different party to appraise the same property Accepting the assignment from the subsequent prospective client is not prohibited by USPAP, assuming appropriate disclosure is made to the client before being engaged and any existing confidential information is handled properly If there is a new potential client, valuation services performed for that new client would constitute a new assignment and the assignment results would be specific to that new assignment.

Frequently Asked Questions, Page F-56:

It is never permissible to "readdress" a report by simply changing the client's name on a completed report, regardless of whether the first client gave a release. The request from Lender B must be treated as a new assignment.

Qualifications of the Appraiser

QUALIFICATIONS OF PETER S. COOPER, MAI
State Certified General Real Estate Appraiser
CA Cert No. AG007287

EDUCATION:

California State University, Fresno

Bachelor Science Degree in Business Administration & Agriculture

Appraisal Institute

Cap A	Capitalization Theory, University of Oregon
Course 1-A	Basic Principles; Methods of Techniques, Univ. of CA, Los Angeles
Course 1-B	Capitalization Theory & Techniques, University of San Francisco
Course II	Urban Properties, University of San Francisco
Course VI	Investment Analysis, University of San Francisco
Course 300GR	Real Estate Finance Statistics and Valuation Modeling, University of Phoenix
Course 510	Advanced Income Capitalization
Course 530	Advanced Sales Comparable and Cost Approaches
Course 672	Lease Abstracting and Analysis
SPP	Standards of Professional Practice, National University, Sacramento
---	Supporting Capitalization Rates

Peter S. Cooper has completed the requirements of the continuing education program of the Appraisal Institute.

Society of Real Estate Appraisers

Course 201	Principles of Income Property Appraising, Modesto Junior College
Course 301	Special Applications of Real Estate Analysis, Mesa, Arizona

AFFILIATIONS:

Appraisal Institute/Member
Urban Land Institute/Member
American Real Estate Society/Member

EXPERIENCE:

1981-Present:	Independent Real Estate Appraiser (self-employed)
1974-1981:	Independent Real Estate Appraiser with James G. Palmer, MAI
1971-1974:	Real Estate Appraiser for First Interstate Bank
1969-1971:	Trust Real Estate Department, Security Pacific National Bank
1967-1969:	Manager, Property Management Dept., CB Commercial - Fresno Office

EXPERIENCE: (continued)

Mr. Cooper has appraised on a fee basis the following types of properties:

Apartments	Mountain Properties
Office Buildings	Vacant Land
Retail Centers (community, neighborhood, strip)	Agricultural Land
Warehouse and Light Industrial	Planned Unit Developments
Subdivisions	Multi-Parcel Estates
Condemnation/Partial Takings	Special Use Properties

CLIENTS:

Financial Entities:	Bank of America, Wells Fargo Bank, Union Bank, Sanwa Bank, Great Western Bank, Sumitomo Bank, Bank of the West, U.S. Bancorp., Mitsui Manufacturers Bank, United Security Bank, Clovis Community Bank, Regency Bank, Bank One of Arizona, and Comerica Bank
Insurance and Mortgage	PPM Finance & Jackson National Life Ins. Co., Column Financial, AEGON, GNA Corp., Safeco Credit Co. Midland Com'l Funding, The Lincoln Financial Group, Industrial-Alliance Pacific Life Insurance Co., Symetra Life Insurance Company or First Symetra National Life Insurance Company of New York, Assurity Life Insurance Company, Emeritus Life Insurance Co., Southern Farm Bureau Life Insurance Co., Protective Life Insurance Co.
Conduit Entities:	Metlife Capital, Indianapolis Life, Lafayette Life, Green Park Financial, GMAC Commercial Mortgage, Westmark Realty Advisors
Industries:	American Forest Products, Buchmin Industries, Eli Lilly, General Electric, Chevron Land, Dow Chemical Company, Kaiser Industries, Transamerica Corporation, Community Hospitals of Central California, St. Agnes Medical Center
Schools:	Districts of Fresno, Kerman, Madera, Central and Clovis
Public:	Federal Deposit Insurance Corporation, Resolution Trust Corporation, City and County of Fresno, Cities of Sanger, Reedley, Madera and Clovis
Appraisal:	Purchase and sales price, estates, tax purposes, insurance, mortgages, rental analysis and condemnation.
Consulting:	Market and feasibility studies for residential and commercial projects
General Area:	Counties of Fresno, Kern, Kings, Madera, Merced, Mono, Sacramento, San Joaquin, Stanislaus and Tulare

COURT EXPERIENCE:

Qualified as an expert witness in the Superior Court of Fresno County and the Federal Bankruptcy Court.

STATE OF CALIFORNIA



Business, Transportation & Housing Agency

OFFICE OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Peter S. Cooper

has successfully met the requirements for a license as a general real estate appraiser in the State of California and is, therefore, entitled to use the title "Certified General Real Estate Appraiser".

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

OREA APPRAISER IDENTIFICATION NUMBER

Date Issued: August 21, 2012

Date Expires: August 20, 2014

Diane Westphal

Deputy Director, OREA

Audit No. **140950**

Title Report

Updated



First American Title

First American Title Company

7625 North Palm Avenue, Suite 101
Fresno, CA 93711

Order Number: 1004-3137679 ()

Escrow Officer: Donna Brown (DBB)
Phone: (559)221-1968
Fax No.: (866)613-5797
E-Mail: dbrown@firstam.com
Buyer: Fancher Creek Properties LLC
Owner: Fancher Creek Properties, LLC
Property: 860 North Fowler Avenue
Fresno, CA

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Exhibit A attached. *The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties.* Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit A. Copies of the policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of August 24, 2012 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

TO BE DETERMINED

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

FANCHER CREEK PROPERTIES, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY

The estate or interest in the land hereinafter described or referred to covered by this Report is:

A fee.

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

a1. General and special taxes and assessments for the fiscal year 2012-2013, a lien not yet due or payable.

1. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment:	\$521.27, PAID
Penalty:	\$0.00
Second Installment:	\$521.27, PAID
Penalty:	\$0.00
Tax Rate Area:	005-315
A. P. No.:	313-270-57S

Affects: Parcel A

1a. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment:	\$454.77, PAID
Penalty:	\$0.00
Second Installment:	\$454.77, PAID
Penalty:	\$0.00
Tax Rate Area:	005-315

A. P. No.: 313-270-58S

Affects: Parcel B

1b. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$522.07, PAID
Penalty: \$0.00
Second Installment: \$522.07, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-59S

Affects: Parcel C

1c. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$290.49, PAID
Penalty: \$0.00
Second Installment: \$290.49, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-60S

Affects: Parcel D

1d. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$297.42, PAID
Penalty: \$0.00
Second Installment: \$297.42, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-61S

Affects: Parcel E

1e. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$581.46, PAID
Penalty: \$0.00
Second Installment: \$581.46, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-62S

Affects: Parcel F

1f. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$454.97, PAID
Penalty: \$0.00
Second Installment: \$454.97, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-63S

Affects: Parcel G

1g. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$427.68, PAID
Penalty: \$0.00
Second Installment: \$427.68, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-64S

Affects: Parcel H

1h. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$589.40, PAID
Penalty: \$0.00
Second Installment: \$589.40, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-65S

Affects: Parcel I

1i. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$608.53, PAID
Penalty: \$0.00
Second Installment: \$608.53, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-66S

Affects: Parcel J

1j. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$461.89, PAID
Penalty: \$0.00
Second Installment: \$461.89, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-67S

Affects: Parcel K

1k. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$357.61, PAID
Penalty: \$0.00
Second Installment: \$357.61, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-68S

Affects: Parcel L

1l. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$514.15, PAID
Penalty: \$0.00
Second Installment: \$514.15, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-69S

Affects: Parcel M

1m. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$297.42, PAID
Penalty: \$0.00
Second Installment: \$297.42, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-70S

Affects: Parcel N

1n. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment:	\$284.29, PAID
Penalty:	\$0.00
Second Installment:	\$284.29, PAID
Penalty:	\$0.00
Tax Rate Area:	005-315
A. P. No.:	313-270-71S

Affects: Parcel O

1o. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment:	\$358.01, PAID
Penalty:	\$0.00
Second Installment:	\$358.01, PAID
Penalty:	\$0.00
Tax Rate Area:	005-315
A. P. No.:	313-270-72S

Affects: Parcel P

1p. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment:	\$324.31, PAID
Penalty:	\$0.00
Second Installment:	\$324.31, PAID
Penalty:	\$0.00
Tax Rate Area:	005-315
A. P. No.:	313-270-73S

Affects: Parcel Q

1q. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment:	\$434.79, PAID
Penalty:	\$0.00
Second Installment:	\$434.79, PAID
Penalty:	\$0.00
Tax Rate Area:	005-315
A. P. No.:	313-270-74S

Affects: Parcel R

1r. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$455.17, PAID
Penalty: \$0.00
Second Installment: \$455.17, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-75S

Affects: Parcel S

1s. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$609.14, PAID
Penalty: \$0.00
Second Installment: \$609.14, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-77S

Affects: Parcel U

1t. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$601.91, PAID
Penalty: \$0.00
Second Installment: \$601.91, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-78S

Affects: Parcel V

1u. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$454.37, PAID
Penalty: \$0.00
Second Installment: \$454.37, PAID
Penalty: \$0.00
Tax Rate Area: 005-315
A. P. No.: 313-270-79S

Affects: Parcel W

1v. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$454.16, PAID

Penalty: \$0.00
 Second Installment: \$454.16, PAID
 Penalty: \$0.00
 Tax Rate Area: 005-315
 A. P. No.: 313-270-80S

Affects: Parcel X

1w. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$521.27, PAID
 Penalty: \$0.00
 Second Installment: \$521.27, PAID
 Penalty: \$0.00
 Tax Rate Area: 005-315
 A. P. No.: 313-270-81S

Affects: Parcel Y

1x. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$494.38, PAID
 Penalty: \$0.00
 Second Installment: \$494.38, PAID
 Penalty: \$0.00
 Tax Rate Area: 005-315
 A. P. No.: 313-270-82S

Affects: Parcel Z

1y. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$434.39, PAID
 Penalty: \$0.00
 Second Installment: \$434.39, PAID
 Penalty: \$0.00
 Tax Rate Area: 005-315
 A. P. No.: 313-270-83S

Affects: Parcel AA

1z. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$357.61, PAID
 Penalty: \$0.00

Second Installment: \$357.61, PAID
 Penalty: \$0.00
 Tax Rate Area: 005-315
 A. P. No.: 313-270-84S

Affects: Parcel AB

1a1. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$30.08, PAID
 Penalty: \$0.00
 Second Installment: \$30.08, PAID
 Penalty: \$0.00
 Tax Rate Area: 005-315
 A. P. No.: 313-270-85S

Affects: Parcel AC

1a2. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$6.25, PAID
 Penalty: \$0.00
 Second Installment: \$6.25, PAID
 Penalty: \$0.00
 Tax Rate Area: 005-315
 A. P. No.: 313-270-86S

Affects: Outlot 1

1a3. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$568.53, PAID
 Penalty: \$0.00
 Second Installment: \$568.53, PAID
 Penalty: \$0.00
 Tax Rate Area: 005-313
 A. P. No.: 310-132-01

Affects: Parcel AD

1a4. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$565.52, PAID
 Penalty: \$0.00
 Second Installment: \$565.52, PAID

Penalty: \$0.00
Tax Rate Area: 005-313
A. P. No.: 310-132-02

Affects: Parcel AE

1a5. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$866.51, PAID
Penalty: \$0.00
Second Installment: \$866.51, PAID
Penalty: \$0.00
Tax Rate Area: 005-313
A. P. No.: 310-132-03

Affects: Parcel AF

1a6. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$541.73, PAID
Penalty: \$0.00
Second Installment: \$541.73, PAID
Penalty: \$0.00
Tax Rate Area: 005-313
A. P. No.: 310-132-04

Affects: Parcel AG

1a7. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$362.40, PAID
Penalty: \$0.00
Second Installment: \$362.40, PAID
Penalty: \$0.00
Tax Rate Area: 005-313
A. P. No.: 310-132-05

Affects: Parcel AH

1a8. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$315.62, PAID
Penalty: \$0.00
Second Installment: \$315.62, PAID
Penalty: \$0.00

Tax Rate Area: 005-313
A. P. No.: 310-132-06

Affects: Parcel AI

1a9. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$318.62, PAID
Penalty: \$0.00
Second Installment: \$318.62, PAID
Penalty: \$0.00
Tax Rate Area: 005-313
A. P. No.: 310-132-07

Affects: Parcel AJ

1a10. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$315.62, PAID
Penalty: \$0.00
Second Installment: \$315.52, PAID
Penalty: \$0.00
Tax Rate Area: 005-313
A. P. No.: 310-132-08

Affects: Parcel AK

1a11. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$318.63, PAID
Penalty: \$0.00
Second Installment: \$318.63, PAID
Penalty: \$0.00
Tax Rate Area: 005-313
A. P. No.: 310-133-01

Affects: Parcel AL

1a12. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$321.65, PAID
Penalty: \$0.00
Second Installment: \$321.65, PAID
Penalty: \$0.00
Tax Rate Area: 005-313

A. P. No.: 310-133-02

Affects: Parcel AM

1a13. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$318.63, PAID
Penalty: \$0.00
Second Installment: \$318.63, PAID
Penalty: \$0.00
Tax Rate Area: 005-313
A. P. No.: 310-133-03

Affects: Parcel AN

1a14. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$982.24, PAID
Penalty: \$0.00
Second Installment: \$982.24, PAID
Penalty: \$0.00
Tax Rate Area: 005-313
A. P. No.: 310-133-04

Affects: Parcel AO

1a15. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$564.80, PAID
Penalty: \$0.00
Second Installment: \$564.80, PAID
Penalty: \$0.00
Tax Rate Area: 005-313
A. P. No.: 310-133-05

Affects: Parcel AP

1a16. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment: \$582.86, PAID
Penalty: \$0.00
Second Installment: \$582.86, PAID
Penalty: \$0.00
Tax Rate Area: 005-313
A. P. No.: 310-133-06

Affects: Parcel AQ

2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
3. The effect of an Instrument entitled "Before the Board of Directors of the Fresno Metropolitan Flood Control District Resolution Providing for the Recordation of a Map Identifying Areas Subject to Payment of Drainage Fees and/or Requirements to Construct Planned Local Drainage Facilities", executed by Fresno Metropolitan Flood Control District and City of Fresno, recorded July 31, 1995 as Instrument No. 95092128 of Official Records.
4. Water rights, claims or title to water, whether or not shown by the public records.
5. Easement and appurtenances thereto for Fancher Creek.
6. An easement for canal and branches and incidental purposes, recorded in Book J of Deeds, Page 36.
In Favor of: Fresno Canal and Irrigation Company
Affects: As described therein

The location of the easement cannot be determined from record information.
7. Right of way across the lot lines of said lot for public road, canals and ditches and incidental purposes as reserved in the Deed recorded June 30, 1879 in Book R Page 40 of Deeds and various Deeds of record.
8. Right of way across the lot lines of said lot for public roads, canals and ditches and incidental purposes as reserved in the Deed recorded December 16, 1880 in Book T page 416 of Deeds and various deeds of record.
9. An easement for ditch and incidental purposes, recorded in Book 1201 Page 106 of Official Records.
In Favor of: Meryl W. Roberts
Affects: As described therein
10. Easement for the Eisen Ditch, across the Northerly portion of said land as disclosed by the Official Map of the Fresno Irrigation District and various instruments of record.
11. The effect of a Map entitled, "Specific Plan Lines",
For: Belmont Avenue
Recorded: July 17, 1979, in Book 5, Page 1 through 5 inclusive of Precise Plan Lines
Affects: Northerly portion of said land
12. An easement for pipelines and conduits and incidental purposes, recorded February 17, 1982 as Instrument No. 82-13412 in Book 7860 Page 707 of Official Records.
In Favor of: Fresno Irrigation District, a Public Corporation
Affects: As described therein

13. The terms and provisions contained in the document entitled Agreement for Common Use of Easements at East Belmont and North Fowler Avenue executed by and between City of Fresno and Fresno Irrigation District recorded June 14, 1985 as Instrument No. 85-58798 of Official Records.
14. The effect of an Instrument entitled "Before the Board of Directors of the Fresno Metropolitan Flood Control District Resolution Providing for the Recordation of a Map Identifying Areas Subject to Payment of Drainage Fees and/or Requirements to Construct Planned Local Drainage Facilities", executed by Fresno Metropolitan Flood Control District and City of Fresno, recorded July 31, 1995 as Instrument No. 95092128 of Official Records.
15. Abutter's rights of Ingress and egress to or from street, highway or freeway have been relinquished in the document recorded July 2, 2004 as Instrument No. 04-146737 of Official Records.
16. The terms and provisions contained in the document entitled Option to Purchase Disclosed by a Memorandum of Agreement executed by and between Fancher Creek Properties, LLC, a California Limited Liability Company and Centex Homes, a Nevada General Partnership recorded March 29, 2005 as Instrument No. 05-68277 of Official Records.
17. The terms and provisions contained in the document entitled Right to Farm Statement executed by and between Fancher Creek Properties, LLC, a California Limited Liability Company and City of Fresno recorded October 16, 2006 as Instrument No. 06-220460 of Official Records.
18. A deed of trust and financing statement to secure an original indebtedness of \$24,783,000.00 recorded November 28, 2007 as Instrument No. 07-212243 of Official Records.
Dated: November 8, 2007
Trustor: Fancher Creek Properties, LLC, a California Limited Liability Company
Trustee: Financial Title Company
Beneficiary: Central Pacific Bank, a Hawaii Banking Corporation

The above deed of trust states that it is a construction deed of trust.

Affects: The land and other property.

A document entitled Absolute Assignment of Leases, Lease Guaranties, Rents, Issues and Profits recorded November 28, 2007 as Instrument No. 07-212244 of Official Records, as additional security for the payment of the indebtedness secured by the deed of trust.

A document recorded February 6, 2008 as Instrument No. 08-18441 of Official Records provides that the above document was subordinated to the document recorded February 6, 2008 as Instrument No. 08-18441 of Official Records.

A document recorded April 4, 2008 as Instrument No. 08-49038 of Official Records provides that the above document was subordinated to the document recorded April 4, 2008 as Instrument No. 08-49038 of Official Records.

A document recorded October 23, 2008 as Document No. 20080150048 of Official Records provides that the lien or charge of the deed of trust was subordinated to the Statement of Covenants recorded October 23, 2008 as document no. 20080150048 of Official Records.

A document recorded October 23, 2008 as Document No. 20080150049 of Official Records provides that the lien or charge of the deed of trust was subordinated to the Statement of Covenants recorded October 23, 2008 as Document No. 20080150049 of Official Records.

A document recorded October 23, 2008 as Document No. 20080150050 of Official Records provides that the lien or charge of the deed of trust was subordinated to the Statement of Covenants recorded October 23, 2008 as Document No. 20080150050 of Official Records.

A document recorded October 23, 2008 as Document No. 20080150051 of Official Records provides that the lien or charge of the deed of trust was subordinated to the Statement of Covenants recorded October 23, 2008 as Document No. 20080150051 of Official Records.

A document recorded October 23, 2008 as Document No. 20080150052 of Official Records provides that the lien or charge of the deed of trust was subordinated to the Statement of Covenants recorded October 23, 2008 as Document No. 20080150052 of Official Records.

The terms and provisions contained in the document entitled "Modification of Deed of Trust and Cross-Collateralization Agreement" recorded June 30, 2010 as Instrument No. 10-83546 of Official Records.

The terms and provisions contained in the document entitled "Extension Agreement" recorded January 28, 2011 as Instrument No. 2011-14242 of Official Records.

Document re-recorded January 31, 2011 as Instrument No. 2011-15487 of Official Records.

The terms and provisions contained in the document entitled "Second Extension Agreement" recorded January 04, 2012 as Instrument No. 2012-653 of Official Records.

19. The terms and provisions contained in the document entitled Subordination, Nondisturbance and Attornment Agreement recorded November 28, 2007 as Document No. 20070212245 of Official Records.
20. Any statutory lien for labor or materials arising by reason of a work of improvement, as disclosed by a document recorded November 28, 2007 as Instrument No. 07-212243 of Official Records.
21. An unrecorded lease dated July 27, 2007, executed by Fancher Creek Properties, LLC, a California limited liability company as lessor and Ferguson Enterprises, Inc. as lessee, as disclosed by a Subordination, Nondisturbance and Attornment Agreement recorded November 28, 2007 as Instrument No. 07-212245 of Official Records.

Defects, liens, encumbrances or other matters affecting the leasehold estate, whether or not shown by the public records.

A document recorded November 28, 2007 as Instrument No. 07-212245 of Official Records provides that the above document was subordinated to the document recorded November 28, 2007 as Instrument No. 07-212243 of Official Records.

22. The terms and provisions contained in the document entitled Covenant for Improvements on Fresno Irrigation District's Eisen Canal No. 11 recorded January 2, 2008 as Instrument No. 08-296 of Official Records.
23. The terms and provisions contained in the document entitled Pipeline Deferral Agreement recorded January 2, 2008 as Instrument No. 08-297 of Official Records.
24. The terms and provisions contained in the document entitled Agreement (Abandonment of Portion of Eisen Ditch) recorded January 2, 2008 as Instrument No. 08-298 of Official Records.
25. The terms and provisions contained in the document entitled Early Construction Agreement with Subordination for Sewer, Water and Storm Drain Improvements for Parcel Map No. 2004-36 recorded February 6, 2008 as Instrument No. 08-18441 of Official Records.
26. The terms and provisions contained in the document entitled Early Street Construction Agreement and Subordination for Parcel Map 2004-36 recorded April 4, 2008 as Instrument No. 08-49038 of Official Records.
27. An easement shown or dedicated on the Map as referred to in the legal description
For: public utilities and incidental purposes.
28. An easement shown or dedicated on the Map as referred to in the legal description
For: pedestrian and incidental purposes.
29. Abutter's rights of Ingress and egress to or from portion to East Belmont Avenue, portion of North Armstrong Avenue and East Fancher Creek Drive as to Outlot 1 have been dedicated or relinquished on the filed Map.
30. An easement shown or dedicated on the Map as referred to in the legal description
For: Sewer, 30 feet wide affecting Parcels I and H and incidental purposes.
31. An easement shown or dedicated on the Map as referred to in the legal description
For: Access, 30 feet wide over Parcel AH and incidental purposes.
32. An easement for underground storm drainage pipeline and incidental purposes, recorded October 23, 2008 as Document No. 20080150053 of Official Records.
In Favor of: Fresno Metropolitan Flood Control District
Affects: Northwesterly 25 feet of Parcel H
33. An easement for underground storm drainage pipeline and incidental purposes, recorded October 23, 2008 as Document No. 20080150054 of Official Records.
In Favor of: Fresno Metropolitan Flood Control District
Affects: as described in said document

The location of the easement cannot be determined from record information.

34. An easement for Drainage Channel and incidental purposes, recorded October 23, 2008 as Document No. 20080150055 of Official Records.
In Favor of: Fresno Metropolitan Flood Control District
Affects: South 15 feet of Parcel AI
35. The terms and provisions contained in the document entitled Statement of Covenants Affecting Land Development for Off Site Street Construction for Parcel Map No. 2004-36 recorded October 23, 2008 as Document No. 20080150052 of Official Records.
36. The terms and provisions contained in the document entitled Subdivision Agreement Parcel Map No. 2004-36 recorded October 23, 2008 as Document No. 20080150047 of Official Records.
37. The terms and provisions contained in the document entitled Statement of Covenants affecting Land Development Deferring Certain Sewer Connection Charges, Water Connection Charges, Urban Growth Management Fees and Development Fees to the time of Issuance of Certificate of Occupancy and Creation of Lien for Parcel Map No. 2004-36 recorded October 23, 2008 as Document No. 20080150048 of Official Records.
38. The terms and provisions contained in the document entitled Statement of Covenants affecting Land Development requiring Fire Protect Measures to be Provided and Maintained for Certain Parcel within Parcel Map No. 2004-36 recorded October 23, 2008 as Document No. 20080150049 of Official Records.
39. The terms and provisions contained in the document entitled Deed of Avigation and Hazard Easement Fresno-Yosemite International Airport For Parcel Map No. 2004-36 recorded October 23, 2008 as Document No. 20080150050 of Official Records.
40. The terms and provisions contained in the document entitled Statement of Avigation of Covenants affecting Land Development Acknowledging Fresno-Yosemite International Airport Operations for Parcel Map No. 2004-36 recorded October 23, 2008 as Document No. 20080150051 of Official Records.
41. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded October 23, 2008 as Document No. 20080150056 of Official Records, which provide that a violation thereof shall not defeat or render Invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition, or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, sexual orientation, marital status, ancestry, disability, handicap, familial status, national origin or source of income (as defined in California Government Code §12955(p)), to the extent such covenants, conditions or restrictions violate 42 U.S.C. §3604(c) or California Government Code §12955. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

Note: You may wish to contact the homeowners association referred to in the above document for information regarding assessments, transfer requirements or other matters.

Prior to the issuance of any policy of title insurance, the Company will require:

42. With respect to Fancher Creek Properties, LLC, a limited liability company:

- a. A copy of its operating agreement and any amendments thereto;
- b. If it is a California limited liability company, that a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) be recorded in the public records;
- c. If it is a foreign limited liability company, that a certified copy of its application for registration (LLC-5) be recorded in the public records;
- d. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, that such document or instrument be executed in accordance with one of the following, as appropriate:
 - (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such document must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
 - (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.
- e. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require.

INFORMATIONAL NOTES

Note: The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than the certain dollar amount set forth in any applicable arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. If you desire to review the terms of the policy, including any arbitration clause that may be included, contact the office that issued this Commitment or Report to obtain a sample of the policy jacket for the policy that is to be issued in connection with your transaction.

1. General and special taxes and assessments for the fiscal year 2011-2012.

First Installment:	\$0.00, NO TAX DUE
Penalty:	\$0.00
Second Installment:	\$0.00, NO TAX DUE
Penalty:	\$0.00
Tax Rate Area:	005-313
A. P. No.:	310-132-09

(Affects Outlot 2)

2. According to the latest available equalized assessment roll in the office of the county tax assessor, there is located on the land a(n) Commercial Structure known as 860 North Fowler Avenue, Fresno, California, .

3. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:

None

4. It appears that a work of improvement is in progress or recently completed on the land. The Company will require various documents and information, including but not limited to a completed mechanics' lien risk analysis, construction contract(s), lien waivers, loan agreement, disbursement information, executed indemnity agreement and current financial information from proposed indemnitors, in order to determine whether mechanics' lien insurance can be issued. Other requirements may be made following the review of such documents and information.

The map attached, if any, may or may not be a survey of the land depicted hereon. First American expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

LEGAL DESCRIPTION

Real property in the City of Fresno, County of Fresno, State of California, described as follows:

PARCELS A THROUGH S, U THROUGH Z, PARCELS AA THROUGH AQ, OUTLOTS 1 AND 2 OF PARCEL MAP NO. 2004-36, IN THE CITY OF FRESNO, COUNTY OF FRESNO, STATE OF CALIFORNIA, ACCORDING TO THE MAP THEREOF RECORDED IN BOOK 69 PAGES 25 THRU 32 OF PARCEL MAPS, FRESNO COUNTY RECORDS.

APN: 313-270-57 (PARCEL A) THROUGH 313-270-75 (PARCEL S)
313-270-77 (PARCEL U) THROUGH 313-270-82 (PARCEL Z)
313-270-83 (PARCEL AA) THROUGH 313-270-85 (PARCEL AC)
313-270-86 (OUTLOT 1)
310-132-01 (PARCEL AD) THROUGH 310-132-08 (PARCEL AK)
310-132-09 (OUTLOT 2) AND
310-133-01 (PARCEL AL) THROUGH 310-133-06 (PARCEL AQ)

NOTICE

Section 12413.1 of the California Insurance Code, effective January 1, 1990, requires that any title Insurance company, underwritten title company, or controlled escrow company handling funds in an escrow or sub-escrow capacity, wait a specified number of days after depositing funds, before recording any documents in connection with the transaction or disbursing funds. This statute allows for funds deposited by wire transfer to be disbursed the same day as deposit. In the case of cashier's checks or certified checks, funds may be disbursed the next day after deposit. In order to avoid unnecessary delays of three to seven days, or more, please use wire transfer, cashier's checks, or certified checks whenever possible.

If you have any questions about the effect of this new law, please contact your local First American Office for more details.

EXHIBIT A
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS (BY POLICY TYPE)

1. CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990
SCHEDULE B

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notice of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the public records.

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable "doing business" laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by their policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

2. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY FORM B - 1970
SCHEDULE OF EXCLUSIONS FROM COVERAGE

1. Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions or area of the land, or the effect of any violation of any such law, ordinance or governmental regulation.
2. Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records at Date of Policy.
3. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed or agreed to by the insured claimant; (b) not known to the Company and not shown by the public records but known to the insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy and not disclosed in writing by the insured claimant to the Company prior to the date such insured claimant became an insured hereunder; (c) resulting in no loss or damage to the insured claimant; (d) attaching or

created subsequent to Date of Policy; or (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.

**3. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY FORM B - 1970
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 2 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage by reason of the matters shown in parts one and two following:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.

**4. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1970
WITH A.L.T.A. ENDORSEMENT FORM 1 COVERAGE
SCHEDULE OF EXCLUSIONS FROM COVERAGE**

1. Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions or area of the land, or the effect of any violation of any such law ordinance or governmental regulation.
2. Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records at Date of Policy.
3. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed or agreed to by the insured claimant, (b) not known to the Company and not shown by the public records but known to the insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy or acquired the insured mortgage and not disclosed in writing by the insured claimant to the Company prior to the date such insured claimant became an insured hereunder, (c) resulting in no loss or damage to the insured claimant; (d) attaching or created subsequent to Date of Policy (except to the extent insurance is afforded herein as to any statutory lien for labor or material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy).
4. Unenforceability of the lien of the insured mortgage because of failure of the insured at Date of Policy or of any subsequent owner of the indebtedness to comply with applicable "doing business" laws of the state in which the land is situated.

**5. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1970
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association Lenders Policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy, the exclusions set forth in paragraph 4 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage by reason of the matters shown in parts one and two following:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

**6. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992
WITH A.L.T.A. ENDORSEMENT FORM 1 COVERAGE
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy; (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material or the extent insurance is afforded herein as to assessments for street improvements under construction or completed at date of policy); or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable "doing business" laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
 - (iii) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

**7. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 6 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

8. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 1992

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:
 - (a) created, suffered, assumed or agreed to by the Insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the Insured claimant and not disclosed in writing to the Company by the Insured claimant prior to the date the Insured claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the Insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the Insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

**9. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 1992
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 8 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

**10. AMERICAN LAND TITLE ASSOCIATION RESIDENTIAL
TITLE INSURANCE POLICY - 1987
EXCLUSIONS**

In addition to the exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:

* land use	* land division
* improvements on the land	* environmental protection

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date.
This exclusion does not limit the zoning coverage described in items 12 and 13 of Covered Title Risks.
2. The right to take the land by condemning it, unless:

- * a notice of exercising the right appears in the public records on the Policy Date
- * the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking.
- 3. Title Risks:
 - * that are created, allowed, or agreed to by you
 - * that are known to you, but not to us, on the Policy Date - unless they appeared in the public records
 - * that result in no loss to you
 - * that first affect your title after the Policy Date - this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
- 4. Failure to pay value for your title.
- 5. Lack of a right:
 - * to any land outside the area specifically described and referred to in Item 3 of Schedule A, or
 - * in streets, alleys, or waterways that touch your land
 This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

11. EAGLE PROTECTION OWNER'S POLICY

**CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE - 2008
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE - 2008**

Covered Risks 16 (Subdivision Law Violation), 18 (Building Permit), 19 (Zoning) and 21 (Encroachment of boundary walls or fences) are subject to Deductible Amounts and Maximum Dollar Limits of Liability

EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - a. building
 - b. zoning
 - c. land use
 - d. improvements on the land
 - e. land division
 - f. environmental protection
 This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
6. Lack of a right:
 - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.
 This Exclusion does not limit the coverage described in Covered Risk 11 or 21

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows: Covered Risk 16, 18, 19 and 21, Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A. The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

<u>Your Deductible Amount</u>	<u>Our Maximum Dollar Limit of Liability</u>
Covered Risk 16: 1% of Policy Amount or \$5,000.00 (whichever is less)	\$10,000.00
Covered Risk 18: 1% of Policy Amount or \$5,000.00 (whichever is less)	\$25,000.00
Covered Risk 19: 1% of Policy Amount or \$5,000.00 (whichever is less)	\$25,000.00
Covered Risk 21: 1% of Policy Amount or \$2,500.00 (whichever is less)	\$5,000.00

12. THIRD GENERATION EAGLE LOAN POLICY AMERICAN LAND TITLE ASSOCIATION EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (1/01/08)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to (i) the occupancy, use, or enjoyment of the Land; (ii) the character, dimensions, or location of any improvement erected on the Land; (iii) the subdivision of land; or (iv) environmental protection; or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
(b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not known to the Company, not recorded in the Public Records at Date of Policy, but known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
 - (e) resulting in loss or damage which would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to advances or modifications made after the Insured has knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.

13. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 2006**EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;
 or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
(b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not known to the Company, not recorded in the Public Records at Date of Policy, but known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or

- (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

**14. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 2006
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 13 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the land or that may be asserted by persons in possession of the land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.

**15. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 2006
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the land;
 - (ii) the character, dimensions, or location of any improvement erected on the land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection; or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
 (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not known to the Company, not recorded in the Public Records at Date of Policy, but known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risks 9 and 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

**16. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 2006
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 15 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.

PRIVACY POLICY

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information – particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our parent company, The First American Corporation, we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its *Fair Information Values*, a copy of which can be found on our website at www.flrstam.com.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies, and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies, or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's *Fair Information Values*. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

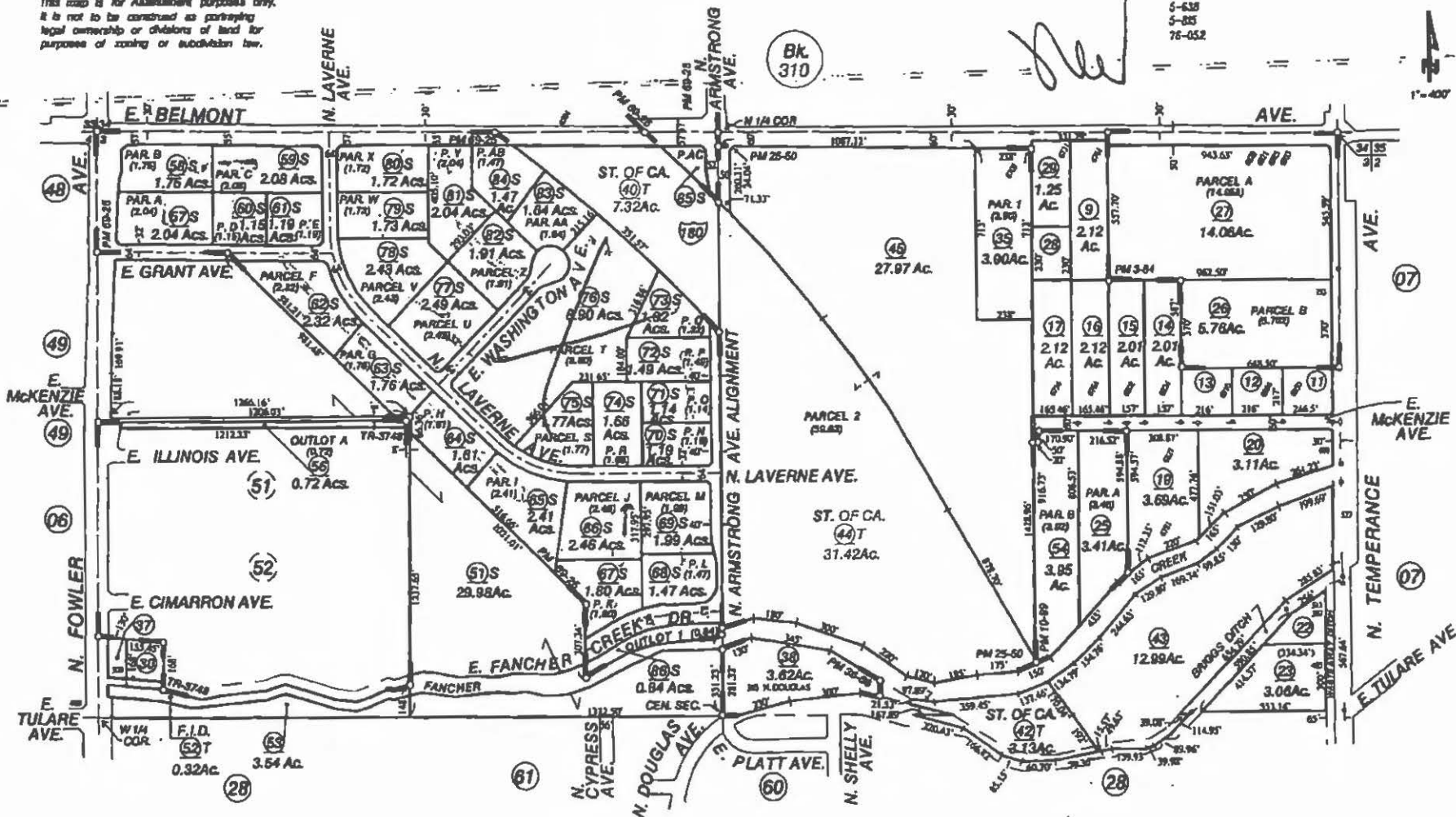
SUBDIVIDED LAND IN POR. SEC. 3, T. 14 S., R. 21 E., M.D.B. & M.

Tax Rate Area

313-27

... NOTE ...
 This map is for Assessment purposes only.
 It is not to be construed as purporting
 legal ownership or divisions of land for
 purposes of zoning or subdivision law.

5-25
 5-228
 5-251
 75-052



Parcel Map No. 916 - Bk. 3, Pg. 84
 Parcel Map No. 1700 - Bk. 10, Pg. 99
 Parcel Map No. 3648 - Bk. 25, Pg. 50
 Parcel Map No. 5387 - Bk. 36, Pg. 66
 Parcel Map No. 2004-36 - Bk. 69, Pg. 25 - 32
 Tract No. 3748 - Plat Bk. 45, Pgs. 6 - 8

Assessor's Map Bk.313 - Pg. 27
 County of Fresno, Calif.

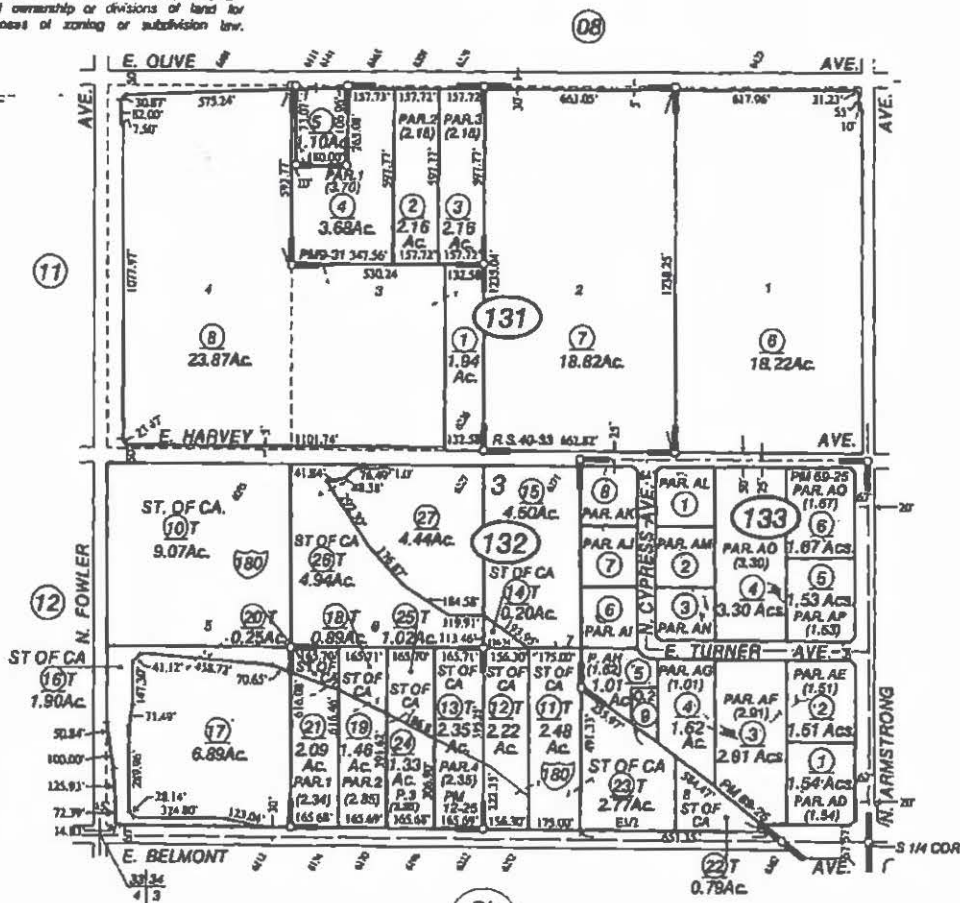
NOTE - Assessor's Block Numbers Shown in Ellipses.
 Assessor's Parcel Numbers Shown in Circles.

SUBDIVIDED LAND IN POR. SEC. 34, T.13S., R.21E., M.D.B.& M.

Tax Rate Area
5-313
76-052

310-13

NOTE
This map is for Assessment purposes only.
It is not to be construed as portraying
legal ownership or divisions of land for
purpose of zoning or subdivision law.



Handwritten signature



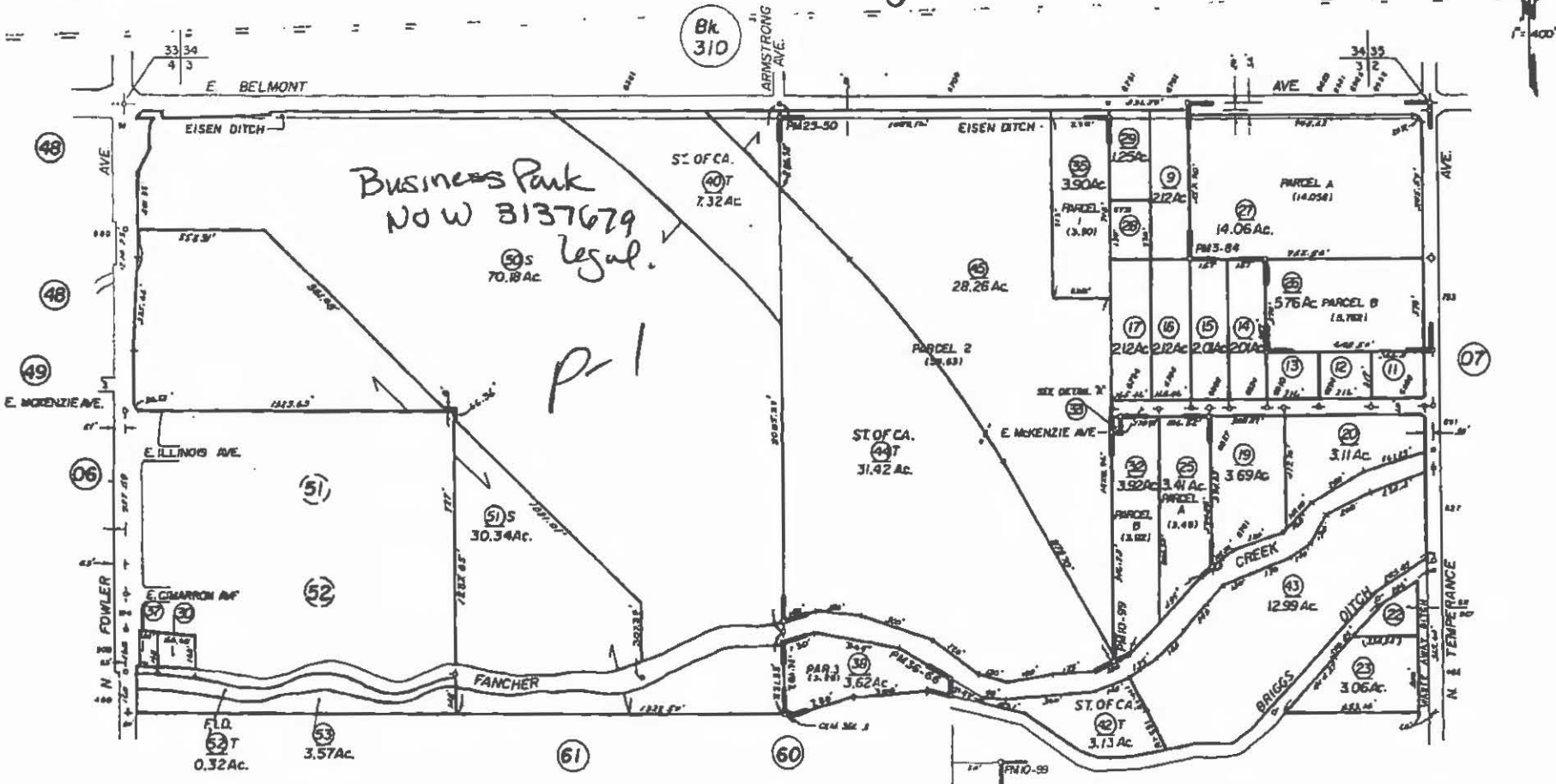
Agricultural Preserve
Parcel Map No. 1573-Bk 9, Pg. 31
Parcel Map No. 2000-Bk 12, Pg. 25
Parcel Map No. 2004-38 - Bk. 69, Pg. 25 - 32
Record of Survey-Bk. 40, Pg. 33
Temperance Colony-Plat Bk. 2, Pg. 7

Assessor's Map Bk.310 - Pg. 13
County of Fresno, Calif.

NOTE - Assessor's Block Numbers Shown in Ellipses.
Assessor's Parcel Numbers Shown in Circles.

— NOTE —
This map is for Assessment purposes only.
It is not to be construed as portraying legal
ownership or divisions of land for purposes
of zoning or subdivision law.

Old Map



Parcel Map No. 916 - Bk. 3, Pg. 84
Parcel Map No. 1700 - Bk. 10, Pg. 99
Parcel Map No. 3648 - Bk. 25, Pg. 50
Parcel Map No. 5387 - Bk. 36, Pg. 66

Assessor's Map Bk. 313 - Pg. 27
County of Fresno, Calif.

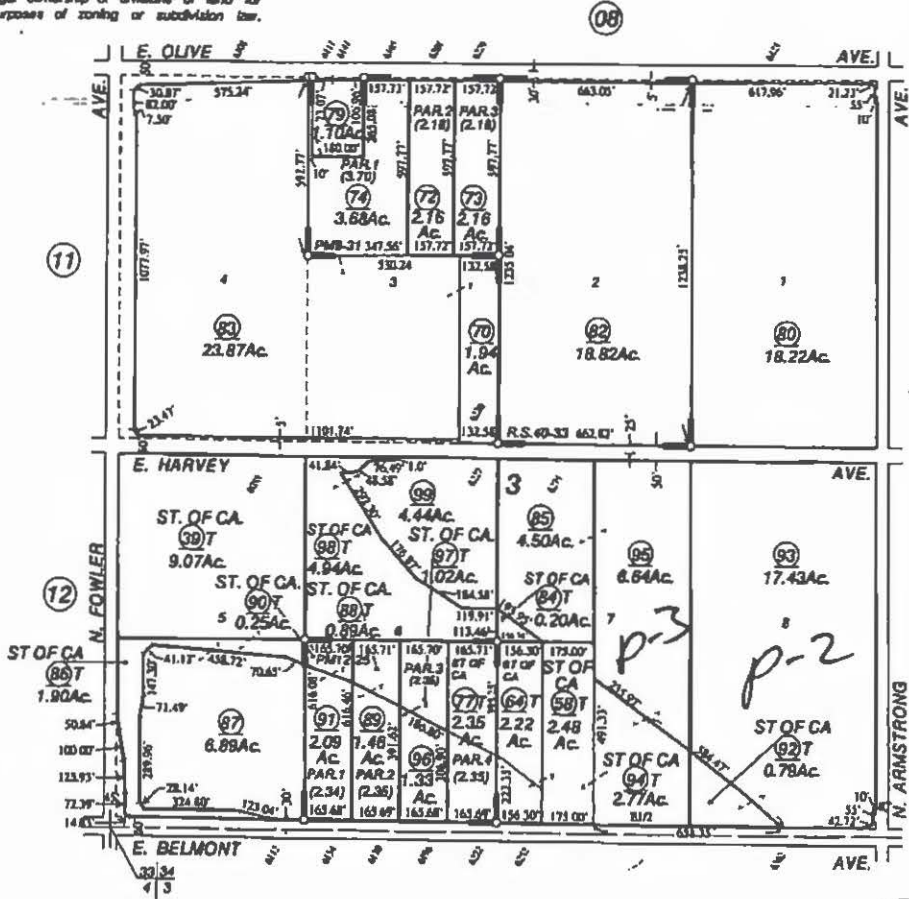
NOTE - Assessor's Block Numbers Shown in Ellipses.
Assessor's Parcel Numbers Shown in Circles.

... NOTE ...
 This map is for Assessment purposes only.
 It is not to be construed as portraying
 legal ownership or divisions of land for
 purposes of zoning or subdivision law.

SUBDIVIDED LAND IN POR. SEC. 34, T.13S., R.21E., M.D.B.&M.

Tax Rate Area
 5-313
 76-052

310-13



OLD map



Agricultural Preserve
 Parcel Map No. 1573-Bk. 9, Pg. 31
 Parcel Map No. 2000-Bk. 12, Pg. 25
 Temperance Colony-Plat Bk. 2, Pg. 7
 Record of Survey-Bk. 40, Pg. 33

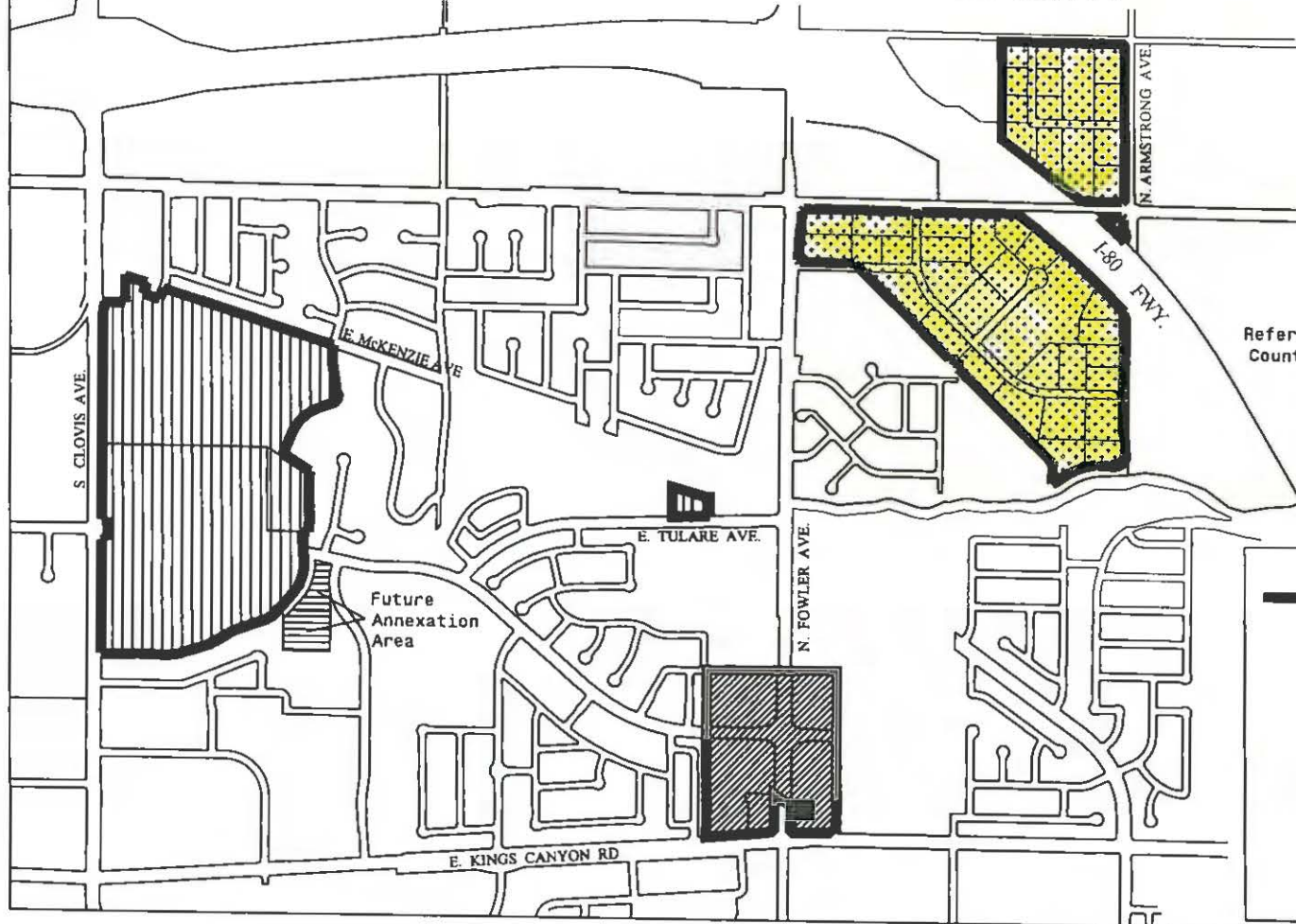
Bk.
 313

Assessor's Map Bk. 310 - Pg. 13
 County of Fresno, Calif.

NOTE - Assessor's Block Numbers Shown in Ellipses.
 Assessor's Parcel Numbers Shown in Circles.




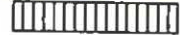


Map of Proposed Boundaries of Community Facilities District No. 2012-1

**PROPOSED BOUNDARIES OF
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-1
(Fancher Creek)
CITY OF FRESNO
COUNTY OF FRESNO
STATE OF CALIFORNIA**



Reference is hereby made to the Assessor maps of the County of Fresno for a description of the lines and dimensions of these parcels.

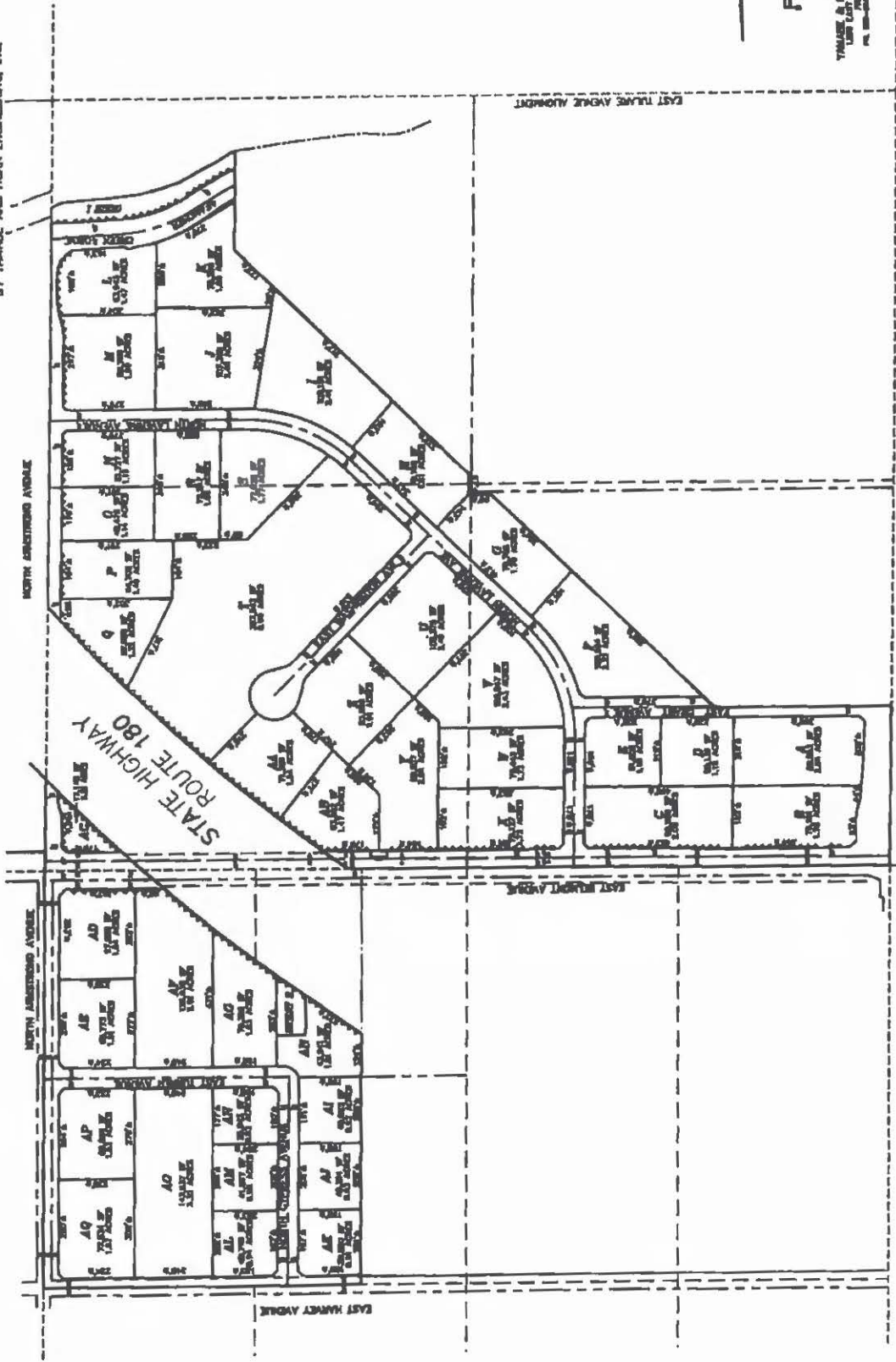
LEGEND

	Proposed Boundaries of California Statewide Communities Development Authority Community Facilities District No. 2012-1 (Fancher Creek), City of Fresno, County of Fresno, California
	31n- nnn -nn Assessor Parcel Number
	Improvement Area 1
	Improvement Area 2
	Future Annexation Area
	Improvement Area 3

Parcel Map No. 2004-36

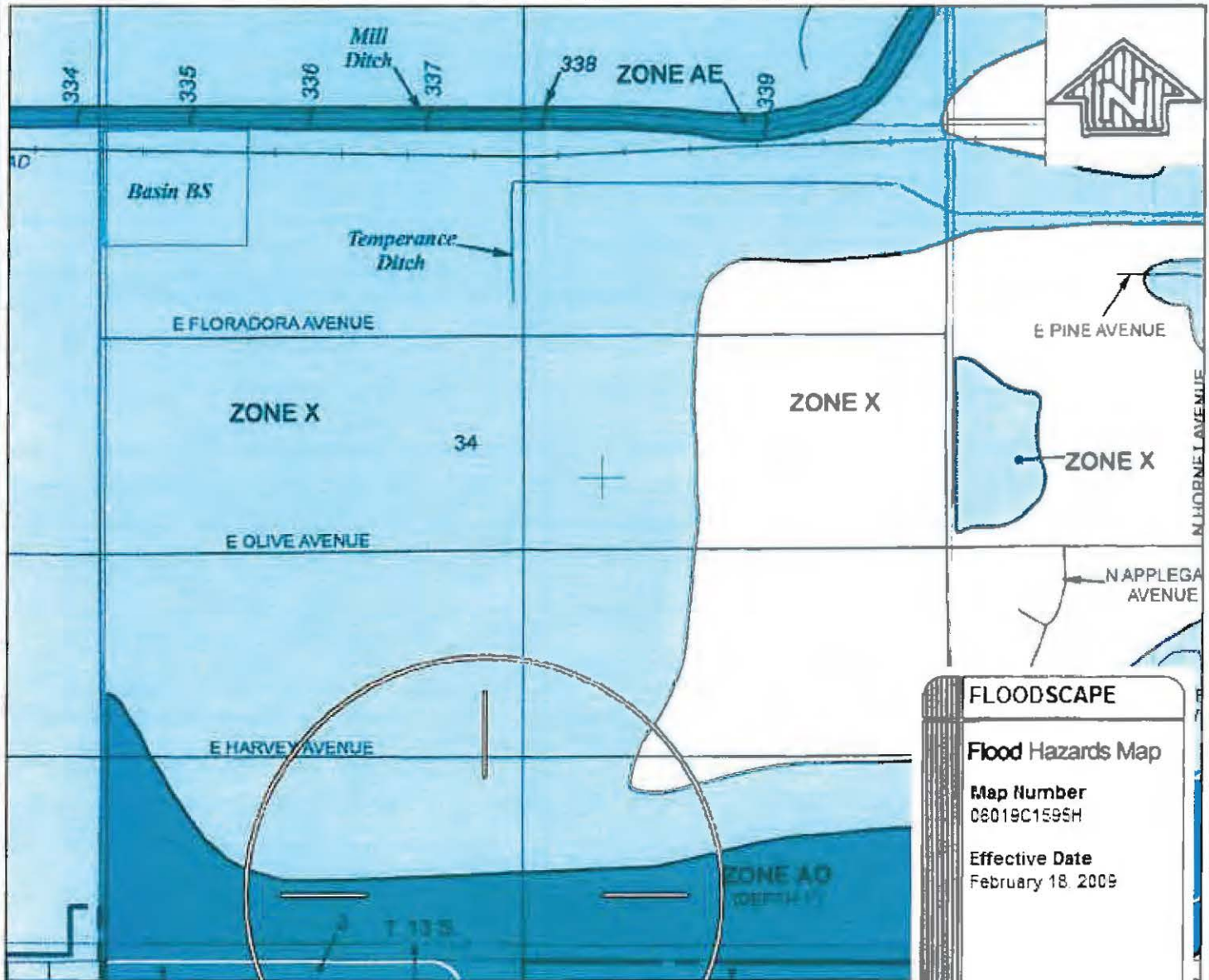
PARCEL MAP NO. 2004-36

COUNTY OF FRESNO
STATE OF CALIFORNIA
BY YAMANE AND ROHN ENGINEERING, INC.



SCALE 1" = 100'
YAMANE & ROHN ENGINEERING, INC.
1000 EAST MAIN AVENUE, SUITE 100
FRESNO, CA 93701
PH: 558-2222 FAX: 558-2222

Flood Maps



FLOODSCAPE

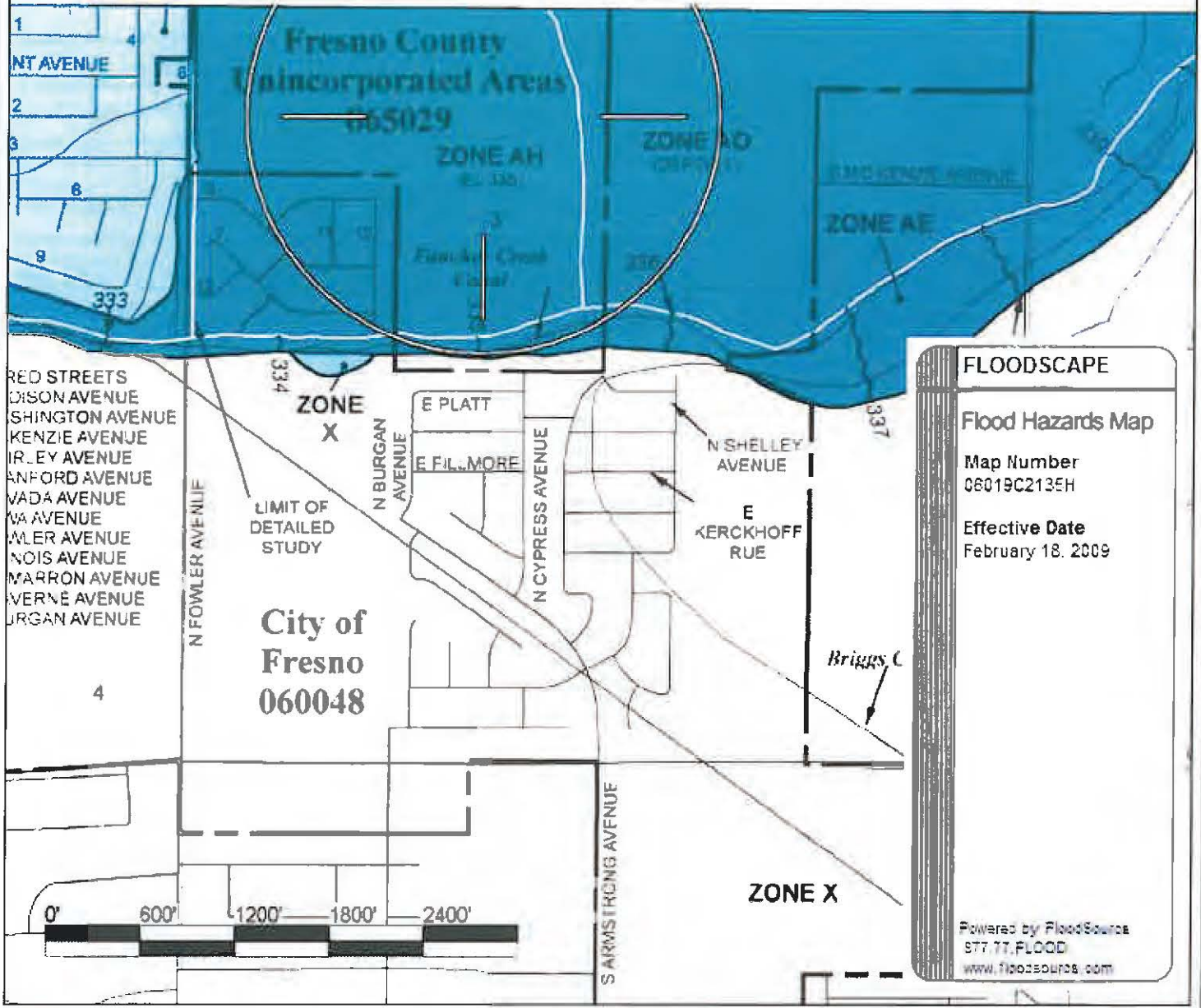
Flood Hazards Map

Map Number
06019C1595H

Effective Date
February 18, 2009

Powered by FloodSource
877.77.FLOOD
www.floodsource.com





FLOODSCAPE

Flood Hazards Map

Map Number
06019C213EH

Effective Date
February 18, 2009

Powered by FloodSource
977 77 FLOOD
www.floodsource.com

CB Richard Ellis Retail Pricing List

Fancher Creek pricing.

Lot	Use	Acres	Square Feet	\$/Square Feet	Sales Price
A	R/O	2.04	88,862	\$12.00	\$1,066,349
B	R/O	1.75	76,230	\$12.00	\$914,760
C	R/O	2.08	90,605	\$12.00	\$1,087,258
D	O	1.15	50,094	\$10.00	\$500,940
E	O	1.19	51,836	\$10.00	\$518,364
F	I/O	2.32	101,059	\$7.50	\$757,944
G	I	1.76	76,666	\$6.95	\$532,826
H	I	1.61	70,132	\$6.95	\$487,415
I	I	2.41	104,980	\$6.95	\$729,608
J	I	2.46	107,158	\$7.50	\$803,682
K	O	1.80	78,408	\$9.75	\$764,478
L	O	1.47	64,033	\$9.75	\$624,324
M	I/O	1.99	86,684	\$9.75	\$845,173
N	I/O	1.19	51,836	\$9.50	\$492,446
O	I/O	1.14	49,658	\$9.50	\$471,755
P	I	1.49	64,904	\$9.25	\$600,366
Q	I	1.32	57,499	\$5.95	\$342,120
R	I	1.66	72,310	\$9.00	\$650,786
S	I	1.77	77,101	\$9.00	\$693,911
SOLD	SOLD	SOLD	SOLD	SOLD	SOLD
U	I/O	2.49	108,464	\$9.50	\$1,030,412
V	O	2.43	105,851	\$10.00	\$1,058,508
W	O	1.73	75,359	\$10.00	\$753,588
X	O	1.72	74,923	\$11.00	\$824,155
Y	I	2.04	88,862	\$10.00	\$888,624
Z	I	1.91	83,200	\$9.00	\$748,796
AA	I/O	1.64	71,438	\$9.50	\$678,665
AB	I/O	1.47	64,033	\$9.50	\$608,315
AC	I	0.39	16,988	\$15.00	\$254,826
AD	I	1.54	67,082	\$11.00	\$737,906
AE	O	1.51	65,776	\$10.50	\$690,644
AF	R	2.91	126,760	\$9.25	\$1,172,526
AG	R	1.62	70,567	\$6.95	\$490,442
AH	I/O	1.01	43,996	\$5.75	\$252,975
AI	I	0.92	40,075	\$7.25	\$290,545
AJ	I	0.93	40,511	\$6.50	\$263,320
AK	I	0.91	39,640	\$7.25	\$287,387
AL	I	0.83	36,155	\$9.50	\$343,471
AM	I	0.96	41,818	\$9.50	\$397,267
AN	I	0.94	40,946	\$9.50	\$388,991
AO	I	3.30	143,748	\$9.50	\$1,365,606
AP	I	1.53	66,647	\$9.50	\$633,145
AQ	I	1.67	72,745	\$9.50	\$691,079

Rent Comparable Photos

RENT COMPARABLES



Rent No. 1
3134 S. East Ave.
Fresno, CA



Rent No. 2
3115 S. Willow Ave.
Fresno, CA



Rent No. 3
2855 S. Elm Ave.
Fresno, CA

RENT COMPARABLES



Rent No. 4
2945 S. Elm Ave.
Fresno, CA



Rent No. 5
4401 E. Central Ave.
Fresno, CA

Subject Photos

SUBJECT PHOTOGRAPHS



View of finished lots.



View of finished lots.



Typical finished lot.

SUBJECT PHOTOGRAPHS



Typical finished lot.



Fancher Creek Drive looking west from Armstrong Avenue.



Belmont Avenue looking east from the T-intersection of Laverne Avenue.

SUBJECT PHOTOGRAPHS



Belmont Avenue looking west
from Armstrong Avenue.



Armstrong Avenue looking
north from Belmont Avenue.



Armstrong Avenue looking
north from Fancher Creek
Drive.

SUBJECT PHOTOGRAPHS



Cypress Avenue looking north from Turner Avenue.



Harvey Avenue looking east toward Armstrong Avenue.



Armstrong Avenue looking south toward Belmont Avenue.

SUBJECT PHOTOGRAPHS



Fowler Avenue looking south.



Fowler Avenue looking north.



Laverne Avenue looking west
from Armstrong Avenue.

SUBJECT PHOTOGRAPHS



Ferguson building on Lot T.



Ferguson building on Lot T.



Ferguson Building
Showroom & Offices

SUBJECT PHOTOGRAPHS



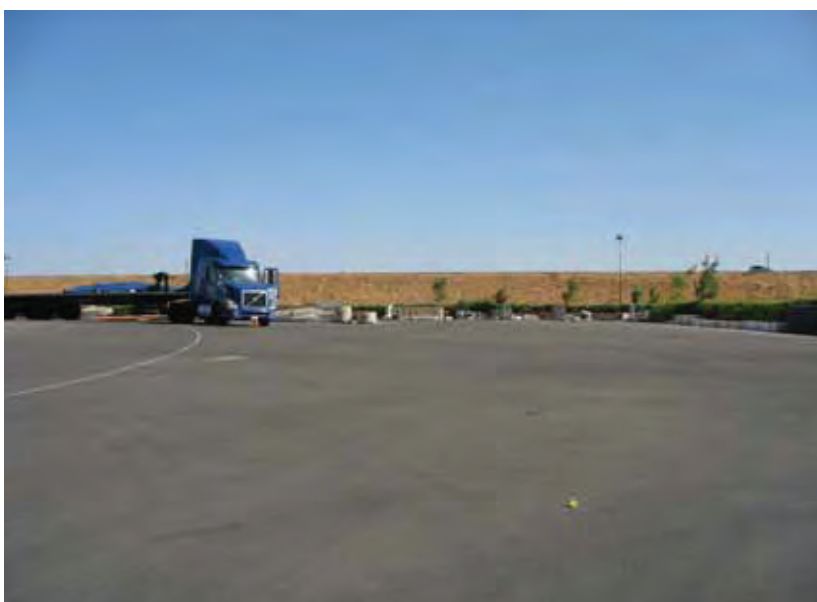
Ferguson Building

East side of warehouse.



Ferguson Building

West side of warehouse.



Yard Area

SUBJECT PHOTOGRAPHS



Yard Area



Showroom Interior



Showroom Interior

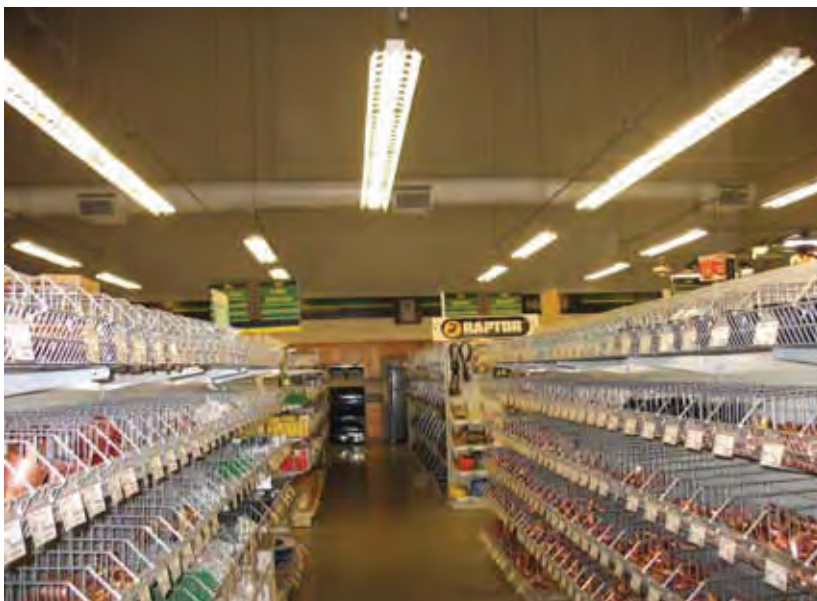
SUBJECT PHOTOGRAPHS



Showroom Interior



Showroom Interior



Counter Area

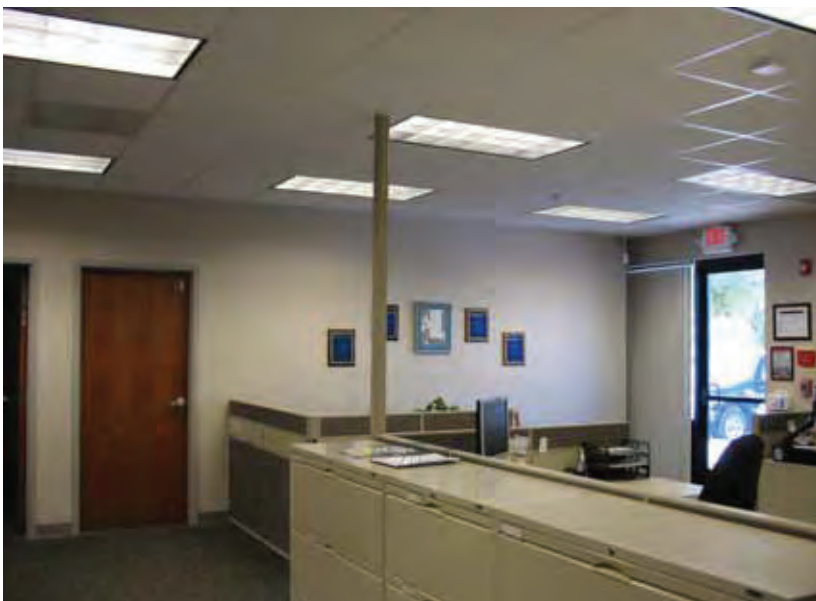
SUBJECT PHOTOGRAPHS



Counter Area



Office Interior



Office Interior

SUBJECT PHOTOGRAPHS



Loading and receiving area.



Warehouse Interior



Warehouse Interior

SUBJECT PHOTOGRAPHS



Warehouse Interior



Warehouse ceiling insulation.



Overhead Doors

SUBJECT PHOTOGRAPHS



Truck doors & dock plates.

SELF-CONTAINED APPRAISAL REPORT

VALUATION OF

21.84 Acres of Commercial Land
Northwest Corner and Northeast Corner of
Kings Canyon Road and Fowler Avenue
Fresno, California 93727

PREPARED FOR

Mr. James Hamill, Program Manager
California Statewide Communities
Development Authority
2033 North Main Street, Suite 700
Walnut Creek, California 94596

PREPARED BY

Peter S. Cooper, MAI
1255 West Shaw Avenue, Suite 102
Fresno, California 93711

EFFECTIVE DATE OF VALUATION

January 7, 2013

DATE OF APPRAISAL REPORT

January 7, 2013

Peter S. Cooper, MAI

Real Estate Appraiser and Consultant
1255 West Shaw Avenue, Suite 102
Fresno, California 93711
(559) 226-5025 FAX (559) 226-4523

E-mail: cooper.appraisals@sbcglobal.net

January 7, 2013

Mr. James Hamill, Program Manager
California Statewide Communities Development Authority
2033 North Main Street, Suite 700
Walnut Creek, California 94596

RE: Market Valuation
21.84 Acres of Commercial Land
Northwest Corner and Northeast Corner of
Kings Canyon Road and Fowler Avenue
Fresno, California 93727

Dear Mr. Hamill:

In response to your recent request, I have conducted the required investigation, gathered the necessary data, and made certain analyses that have enabled me to form an opinion of the market value of the fee simple and leased fee interests in the above captioned properties.

Based on the inspection of the property and the investigation and analyses undertaken, I have formed the opinion that, as of the effective date of the appraisal, January 7, 2013, and subject to the assumptions and limiting conditions set forth in this Self-Contained Appraisal Report, the subject parcels have the following valuation scenarios:

The Village Center, 21.84 Acres of Vacant Commercial Land:

“As Is” Market Value as of January 7, 2013 (Fee Simple Interest): = **\$11,420,000**

The aforementioned value is subject to the value definitions, assumptions and limiting conditions set forth in this report.

This appraisal has been prepared in accordance with the current economic definition of market value as set forth in the fifth edition of *The Dictionary of Real Estate Appraisal*, Appraisal Institute, 2010, page 122-123.

"The most probable price which a property should bring in 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:

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

This appraisal report conforms to the following appraisal standards:

1. Uniform Standards of Professional Practice (USPAP) adopted by the Appraisals Standards Board of the Appraisal Foundation and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
2. The Appraisal Standards for Land-Secured Financing published by the California Debt and Investment Advisory Commission, dated May 1994 and revised July 2004.

The undersigned appraiser hereby certifies that he has no present or future intended interest in the subject property, that neither the fee nor employment of this assignment was contingent upon the value reported herein, and that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

This letter must remain attached to the report, which contains 44 numbered pages plus related exhibits and Addenda, in order for the value opinions contained herein to be considered valid. The right to photocopy all or part of this appraisal is strictly prohibited, unless prior arrangements have been made with Peter S. Cooper Appraisals Inc.

Thank you for the opportunity of serving you. If you have any questions, please feel free to call.

Sincerely,



Peter S. Cooper, MAI
CA Cert No. AG007287

PSC/rs

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

CLIENT: California Statewide Communities Development Authority

APPRAISAL TYPE: Self-Contained Appraisal Report

PROPERTY NAME: Fancher Creek Business Park

LOCATION: NWC & NEC of Kings Canyon Road and Fowler Avenues, Fresno, California 93727

DATE OF INSPECTION: September 19, 2012

EFFECTIVE DATE OF VALUE: January 7, 2013

DATE OF APPRAISAL REPORT: January 7, 2013

TYPE OF PROPERTY: 21.84 Acres of Vacant Commercial Land

PROPERTY RIGHTS APPRAISED: Fee Simple Interest

ASSESSOR'S PARCEL NUMBER: 313-021-30 and 31
313-280-72

THOMAS BROS. MAP CODE: 1303 J5/J6 & 1304 A5/A6

CENSUS TRACT: 14.03

SIZE:

PARCEL SIZE			
<i>Location</i>	<i>APN</i>	<i>Gross Acres</i>	<i>Size SF</i>
NWC Kings Canyon Rd. & Fowler Ave.	313-021-30	7.39 Acres	321,908 SF
NWC N. Fowler Ave. & E. Fancher Creek Dr.	313-021-31	5.45 Acres	237,402 SF
NEC E. Kings Canyon Rd. & N. Fowler Ave., & NEC N. Fowler Ave. & E. Fancher Creek Dr.(*)	313-280-72	9.00 Acres	392,040 SF
Totals		21.84 Acres	951,350 SF

(*)The northeast quadrant of Kings Canyon Road and Fowler Avenue shows a total of 9.13 acres as per the current assessor's parcel number 313-280-72. However, this parcel will be divided by the east/west extension of Fancher Creek Drive with the northeast quadrant containing 3.66 acres and the northeast corner of Kings Canyon Road and Fowler Avenue containing 5.34 acres for a total of 9.00 acres or 392,040 square feet.

ZONING: C-2/BA-15/UGM

HIGHEST AND BEST USE: It is the appraiser’s opinion that the highest and best use of the site as vacant and as proposed would be for its future development to a commercial retail center consistent with the C-2 zoning designation and a mixed use with some office improvements as demand is warranted.

ON- & OFF-SITE IMPROVEMENTS: The subject parcels have no off-site improvements installed. The acreage is vacant, unimproved land. There are no building improvements on either of the parcels.

FLOOD INSURANCE RATE MAP ZONE: Portions of the subject property are located in Flood Zones “X,” “AE” and “AO” according to FEMA Community Panels #06019C2130H, dated February 18, 2009; and #06019C2135H, dated February 18, 2009. The property located in Zone “X” is not considered to be within a designated flood hazard area. The property located in Flood Hazard Zones “AE” and “AO” is considered to be located within designated flood hazard areas.

SEISMIC SPECIAL STUDIES ZONE: No

SALES OF SUBJECT PROPERTY WITHIN PAST THREE YEARS: The subject property has been under the same ownership, Fancher Creek Properties, LLC, since 1999. There have not been any sales or a transfer of any of the properties from the current ownership other than the sale of a 1.53-acre pad to CVS for \$1,875,000 all cash. The pad is located directly at the northwest corner of Kings Canyon Road and Fowler Avenue. CVS has recently completed a drug store facility on the parcel. The balance of the parcels are not listed for sale.

VALUE INDICATIONS:

<u>The Village Center, 21.84 Acres of Vacant Commercial Land:</u>	
“As Is” Market Value as of January 7, 2013 (Fee Simple Interest):	= <u>\$11,420,000</u>

EXPOSURE & MARKETING TIME:

Exposure Time: 9-12 Months

Marketing Time: 9-12 Months

EXTRAORDINARY ASSUMPTIONS: None

HYPOTHETICAL CONDITIONS: None

ASSUMPTIONS AND LIMITING CONDITIONS

1. No survey was made of the property and the dimensions are those taken from the maps in the office of the County Assessor.
2. No report of title was secured for the subject property. As such, the property is presumed to be marketable and that any liens or encumbrances can be removed.
3. No separation of land and building values may be used for any other purpose than that delineated elsewhere in this report.
4. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the author, particularly as to the valuation conclusion, the identity of the appraiser or appraisers, or firm with which it is connected, or any reference to the American Institute of Real Estate Appraisers or to the MAI or RM designations.
5. No right to expert testimony is included with this report and the fee for this appraisal does not include payment for pre-trial conferences or taking of depositions.
6. No responsibility is assumed for matters legal in nature.
7. No survey or soil tests of the land have been made by the appraiser or appraisers.
8. Possession of this report or any copy thereof does not carry with it the right of publication, nor may the same be used for any purpose by anyone except the employer of the appraiser or appraisers, without the previous written consent of the appraiser or appraisers and, in any event, only in its entirety.
9. The information and data reported in this appraisal have been obtained from sources which are deemed to be reliable. They are believed to be correct, but cannot be guaranteed by the appraiser or appraisers. This condition applies generally throughout the appraisal report and specifically to square footage calculations and descriptions of comparable properties.
10. The appraiser or appraisers have no personal interest or bias with respect to the subject matter of this appraisal or the parties involved.
11. This appraisal report sets forth all of the limiting conditions (imposed by the terms of the assignment or by the appraiser or appraisers) affecting the analyses, opinions and conclusions contained in this report.
12. No one other than the appraiser or appraisers whose signature appears on the Certification page of this appraisal report prepared the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report.
13. The appraiser or appraisers have no expertise with respect to toxic wastes, hazardous materials or undesirable substances. Proper inspections of the property by qualified experts are an absolute necessity to determine whether or not there are any current or potential toxic wastes, hazardous materials or undesirable substances in or on the property. The appraiser or appraisers have not made, nor will make, any representations, either express or implied, regarding the existence or nonexistence of toxic wastes, hazardous materials or undesirable substances in or on the property. Problems involving toxic wastes, hazardous materials or undesirable substances can be extremely costly to correct. It is the responsibility

of the client or recipient of this report to retain qualified experts to deal with the detection and correction of such matters.

14. This report and all matters contained herein were prepared for the sole and exclusive benefit of the client specified herein, and is intended for his use only. Neither all, nor any part of the contents of this report, or copy thereof, shall be used for any purpose by anyone but the client specified herein nor shall it be conveyed or disseminated by anyone to the public through advertising, public relations, news, sales or other media, without the express written consent and approval of the appraiser or appraisers. No one, except the client specified herein, may rely on this report for any purpose. Any person or entity who obtains or reads this report, or a copy thereof, other than the client specified herein, expressly assumes all risk of damages to himself or third persons arising out of reliance thereon or use thereof and waives the right to bring any action based on the appraisal, directly or indirectly, and the appraiser or appraisers shall have no liability to any such person or entity. In short, those who did not pay for this report cannot rely upon it.
15. The Americans with Disabilities Act (ADA) became effective January 26, 1992. A compliance survey and analysis of this property was not prepared to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser or appraisers have no direct evidence relating to this issue, the appraiser or appraisers did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

Real estate brokers indicate that there has not been a pricing discount for properties that were out of compliance with the ADA requirements at this point in time. However, this could change depending on the property type and investment size, and the potential costs to bring a property in compliance.

16. The projections of income and expenses, including the reversion at time of resale used in any discounted cash flow analysis presented within the appraisal report, are not predictions of the future. Rather, they are the best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of the appraiser or appraisers to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future, and upon what assumptions of the future investment decisions are based.
17. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. Peter S. Cooper Real Estate Appraisals, Inc., and the undersigned are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

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Addenda

- Certification Statement
- Qualifications of the Appraiser
- Map of Proposed Boundaries of Community Facilities District No. 2012-1
- Parcel Maps
- Flood Map
- Subject Photos

SELF-CONTAINED APPRAISAL REPORT

I. PROPERTY LOCATION AND DESCRIPTION:

The Village Center property consists of a total of 21.84 acres or 951,350 square feet of land area. The property is divided into four sections that range in size from 3.66 acres to 7.39 acres. The parcels are situated at the northwest and northeast quadrants of Kings Canyon Road and Fowler Avenue, Fresno, California, 93727. The properties are further subdivided by Fancher Creek Drive, which is an east/west collector street that traverses through the properties. The street alignments divide the subject property into four quadrants as shown in the following table:

PARCEL SIZE			
<i>Location</i>	<i>APN</i>	<i>Gross Acres</i>	<i>Size SF</i>
NWC Kings Canyon Rd. & Fowler Ave.	313-021-30	7.39 Acres	321,908 SF
NWC N. Fowler Ave. & E. Fancher Creek Dr.	313-021-31	5.45 Acres	237,402 SF
NEC E. Kings Canyon Rd. & N. Fowler Ave., & NEC N. Fowler Ave. & E. Fancher Creek Dr. (*)	313-280-72	9.00 Acres	392,040 SF
Totals		21.84 Acres	951,350 SF

(*)The northeast quadrant of Kings Canyon Road and Fowler Avenue shows a total of 9.13 acres as per the current assessor's parcel number 313-280-72. However, this parcel will be divided by the east/west extension of Fancher Creek Drive with the northeast quadrant containing 3.66 acres and the northeast corner of Kings Canyon Road and Fowler Avenue containing 5.34 acres for a total of 9.00 acres or 392,040 square feet.

The parcels are undeveloped land that are zoned C-2, a community commercial land designation. A 1.53-acre portion of the parcel that is located directly at the northwest corner of Kings Canyon Road and Fowler Avenue has been sold to CVS which has recently completed a drug store on this site. The CVS property will not be a part of the appraisal.

The subject property is vacant land and the owners plan to develop the 7.39-acre parcel at the northwest corner of Kings Canyon Road and Fowler Avenue to a neighborhood center with the balance of the property to be developed with retail/commercial and/or office improvements as demand warrants.

II. PURPOSE OF THE APPRAISAL:

The purpose of the appraisal is to provide an opinion of value of the fee simple interest in the real property that will be used for the proposed tax lien CFE No. 2012-01. The projected special property tax is \$4,530 per acre.

III. SCOPE OF WORK:

The appraiser has been requested by the client's representative, Mr. James Hamill, Program Manager, California Statewide Communities Development Authority, to provide a self-contained appraisal report

on the vacant parcels that are located at the northwest and northeast quadrants of Kings Canyon Road and Fowler Avenue in the southeast sector of Fresno. The total size of the parcel that is the subject of this appraisal is 21.84 acres or 951,350 square feet of land area. The appraisal is to provide a current “as is” market value of this acreage.

In order to form an opinion of the current “as is” value of the land, the appraiser has considered the three approaches to value; namely the Sales Comparison, Cost, and Income Approaches. Of these three valuation methodologies, just the Sales Comparison was used. The Cost and Income Approaches were not considered to be a relevant valuation methodologies for vacant land.

To complete the appraisal, the appraiser has performed the following scope of work for this appraisal assignment:

- Information regarding the physical and legal condition of the subject property was gathered from a physical inspection of the property, the client, and governmental agencies. The property inspection included driving and walking the site, conducting an interior inspection of the Ferguson building, taking photographs, and noting the obvious characteristics of the parcels and the building improvements. The inspection is not considered to be at the same standards that would be conducted by a licensed property inspector.
- Performed a highest and best use analysis of the property as if vacant and as improved.
- Information regarding the neighborhood, market area, and market trends affecting the subject property was collected and confirmed with various sources. Some of these sources included the following: the developer, Mr. Tom Richards, and his representative, Mr. Scott Anderson; the City of Fresno’s Planning Department; published secondary sources, such as MetroScan, Real Quest, Comps Inc., and investor surveys published by Real Estate Research Corporation (*RERC*) and Price-Waterhouse-Coopers (*PWC*). The appraiser has also interviewed market participants from the real estate community such as developers, real estate brokers, and a major owner of industrial and warehouse/distribution properties in the Fresno community.
- Prepared an appraisal report setting forth the conclusions developed in this analysis as well as the information upon which the conclusions were based.

In addition, the appraisal report has been prepared so as to comply with the requirements of:

- The Uniform Standards of Professional Appraisal Practice (USPAP) including the Ethics and Competency Provisions as promulgated by the Appraisal Standards Board of the Appraisal Foundation.
- The Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- An engagement letter presented to the California Statewide Communities Development Authority.
- The Appraisal Standards for Land-Secured Financing published by the California Debt and Investment Advisory Commission, dated May 1994 and revised July 2004.

IV. APPRAISAL REPORTING OPTIONS:

The most recent edition of the Uniform Standards of Professional Appraisal Practice (USPAP) states that under Standards Rules 2-2 and 8-2 each written real property appraisal report must be prepared under one of the following three formats: Self-Contained Appraisal Report [Standards Rules 2-2(a) and 8-2(a)], Summary Appraisal Report [Standards Rules 2-2(b) and 8-2(b)], or Restricted Use Appraisal Report [Standards Rules 2-2(c), 8-2(c), and 10-2(b)].

After discussing the various reporting options with the client, it was mutually agreed that a Self-Contained Appraisal Report was to be completed and defined as:

- Self-Contained Report: A written report intended to comply with the reporting requirements set forth under all Standards Rule 2-2 (a) of the Uniform Standards of Professional Appraisal Practice for a Self-Contained Appraisal Report.

V. INTENDED USER:

This appraisal report has been prepared for the intended user, California Statewide Communities Development Authority, and is to be directed to Mr. James Hamill, Program Manager, California Statewide Communities Development Authority, 2033 North Main Street, Suite 700, Walnut Creek, California, 94596.

VI. INTENDED USE OF THE APPRAISAL:

The intended use of the appraisal is to help determine the feasibility of issuing bonds for CFE No. 2012-01.

VII. COMPETENCY STATEMENT:

Peter S. Cooper, MAI, has the necessary education and experience to be able to perform an appraisal on a vacant parcel of land zoned for commercial developments such as the subject property to meet the competency provisions of USPAP adopted by the Appraisal Institute.

VIII. DATE OF INSPECTION AND EFFECTIVE DATE OF VALUE:

The original date of inspection was September 19, 2012 and was considered to be the effective date of value. However, due to a change in the bond payments, the subject properties have been revalued and the new effective date of value is January 7, 2013.

IX. DATE OF APPRAISAL:

The date of the appraisal is January 7, 2013. This represents the date the appraisal was written and is indicated on the letter of transmittal. This date is not necessarily synonymous with the date of inspection nor the effective date of value.

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This appraisal has been prepared in accordance with the current economic definition of market value as set forth in the fifth edition of *The Dictionary of Real Estate Appraisal*, Appraisal Institute, 2010, page 122-123.

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus."

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

The values reported in this appraisal are stated in terms of typical market financing, on terms generally available in the community at the specified time and typical for the property type and its locale. The values represent a normal consideration to be expected for the property, unaffected by special financing amounts and/or terms, services, fees, costs, or credit incurred in the transaction. Attempts were made to verify the financing terms on all market data used in this appraisal report, although, in some cases, this data was unavailable. If such data was found to have financing terms different than that currently available for the subject property, the data was adjusted for cash equivalency to the terms which are considered to be currently available for the subject property or other similar developments.

XI. VALUATION SCENARIOS:

Depending upon the nature of the appraisal assignment, estimates of market values at certain points in time may be required. Based on the appraisal requirements of the client, the scope of work discussed, and the physical and economic characteristics of the property, the following is the valuation scenario used in this self-contained appraisal report:

The Village Center, 21.84 Acres of Vacant Commercial Land:

- Market Value "As Is" as of January 7, 2013 (Fee Simple Interest)

The following is a description of the valuation scenario:

- **Market Value “As Is”**

Market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions or qualifications as of the effective date the appraisal is prepared.

XII. PROPERTY RIGHTS APPRAISED:

The property rights appraised is the fee simple interest. Fee simple is defined as:

"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." (*The Dictionary of Real Estate Appraisal, 5th Edition, Chicago: Appraisal Institute, 2010, page 78*)

XIII. PERSONAL PROPERTY:

Personal property is defined by USPAP as: identifiable tangible objects that are considered by the general public as being “personal” – for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate. (*USPAP 2012-2013, The Appraisal Foundation, 2012, Definitions, pg. U-4*)

No personal property is involved with any of the properties under appraisal.

XIV. LEGAL DESCRIPTION:

The appraiser has not been provided with a title report showing a complete legal description for each of the parcels. Thus, the property referred to in this appraisal report is referenced as being a portion of Section 4, Township 14 South, Range 21 East, Mount Diablo Base and Meridian, and a portion of Section 3, Township 14 South, Range 21 East, Mount Diablo Base and Meridian located in the State of California, County of Fresno, City of Fresno.

The parcels are also designated by the following County of Fresno assessor’s parcel numbers:

NWC Kings Canyon Road & N. Fowler Avenue	:	313-021-30
NWC N. Fowler Avenue & E. Fancher Creek Drive	:	313-021-31
NEC Kings Canyon Road & N. Fowler Avenue	:	313-280-72

XV. STATEMENT OF OWNERSHIP:

County records show title to the property to be vested in the name of Fancher Creek Properties, LLC.

XVI. PROPERTY ADDRESS:

No site addresses were assigned to these parcels.

XVII. REAL ESTATE TAXES:

Article XIII A of the California Tax and Revenue Code states that "properties shall be taxed on their full cash assessed value as of March 1, 1975," the base year lien date. Beyond this date, assessments may be increased only 2 percent per year until the property is sold, substantial new construction occurs, or the use of the property is significantly changed. In such cases, the property assessment may be increased to current market levels.

The 2011/2012 fiscal year is the most recent year for which assessed valuation and property tax information is available. The following is a breakdown of the assessments and real estate taxes that affect the property:

Assessed Value 2011/2012 for:	APN 313-021-30	APN 313-021-31	APN 313-280-72
Land:	\$314,433	\$172,451	\$172,451
Improvements:	0	0	0
Trade Fixtures:	0	0	0
Personal Property:	0	0	0
TOTAL:	\$314,433	\$172,451	\$172,451
Tax Rate Area:	005-745	005-745	005-745
Tax Rate:	\$1.194860/\$100 of Assessed Value	\$1.194860/\$100 of Assessed Value	\$1.194860/\$100 of Assessed Value
Total Real Estate Taxes:	\$4,903.58	\$2,719.64	\$2,719.64
Special Assessments:	(Included in Taxes)	(Included in Taxes)	(Included in Taxes)
--Fresno Irrigation District	\$566.78	\$0	\$0
--Fresno Metropolitan Flood Control District	\$579.88	\$659.66	\$656.16
Delinquent Taxes:	None	None	None
<i>The new taxes and assessments will not be available until November 1, 2012. The old Assessor's parcel numbers will not be changed until the 2012/2013 tax period.</i>			

XVIII. PROPERTY HISTORY:

The subject property has been under the same ownership, Fancher Creek Properties, LLC, since 1999. There have not been any sales or a transfer of any of the properties from the current ownership other than the sale of a 1.53-acre pad to CVS for \$1,875,000 all cash. The pad is located directly at the northwest corner of Kings Canyon Road and Fowler Avenue. CVS has recently completed a drug store facility on the parcel. The balance of the parcels are not listed for sale.

XIX. AREA ANALYSIS:**Fresno County Data:**

Fresno County is located in the great southern San Joaquin Valley of Central California. The San Joaquin Valley extends from Stockton in the north to Bakersfield in the south, a distance of 227 miles. It is bounded on the west by the Coast Ranges, on the east by the Sierra Nevada Mountains, on the south by the Tehachapi Range, and on the north by the Sacramento Valley.

Since 1950, Fresno County has ranked as the first county in the nation for annual gross value of agricultural production. Fresno is the sixth largest county in California, extending from the Coast Ranges in the west across the Central San Joaquin Valley, to the crest of the Sierra Nevada in the east, a distance of 138 miles. Approximately half of the county is mountainous. The valley floor is 50 to 60 miles wide, consisting largely of prime alluvial soils. The Fresno Slough, a trough at the low point of the valley floor between the east and west sides, formerly served as a natural drainage system for runoff flood waters from the mountains. Besides the Kings and San Joaquin Rivers, the man-made California Aqueduct and the Friant-Kern Canal traverse the county, supplementing and recharging groundwater supplies that have been heavily over drafted in some areas.

About 40% of the county is contained within national forests and Kings Canyon National Park. Two-thirds of the county remains in a natural or semi-natural condition and the remaining one-third is extensively developed for agriculture and industry and supports most of the population. The east side of the valley is in relatively small farm holdings, but the more arid west side is characterized by large land holdings. Parcelization of farmland for rural residential development in the Fresno-Clovis area and in the foothills on the Valley's east side.

Area Economics:

Population: Over the last decade the San Joaquin Valley grew faster than most of California and now claims two of the state's largest cities – #5 Fresno with a population of 427,652 and #9 Bakersfield with a population of 347,483. The growth underscored a trend of more Californians moving inland to flee the coastal areas which have higher living costs in. Among the eight counties in the San Joaquin Valley all saw population growth of 15% or more over the last decade. Tulare, Madera, San Joaquin and Kern Counties drove the population growth in the Valley with these counties posting population growth above 20%. In contrast to this the state grew by 10% over the decade.

The following table compares the geographic sizes, populations and changes in population of Fresno County and the neighboring five counties that comprise the central and southern San Joaquin Valley.

**Population Change 2000-2010
Central & Southern San Joaquin Valley Counties**

County	Size Sq Miles	Total Population		Change, 2000-2010	
		April 1, 2000	April 1, 2010	Number	Percent
Fresno	5,962	799,407	930,450	131,043	16.4%
Kern	8,162	661,645	839,631	177,986	26.9%
Kings	1,392	129,461	152,982	23,521	18.2%
Madera	2,153	123,109	150,865	27,756	22.5%
Merced	1,972	210,554	255,793	45,239	21.5%
Tulare	4,839	368,021	442,179	74,158	20.2%

Residents of Fresno County are concentrated in the cities of Fresno and Clovis who share a common jurisdictional boundary. The city of Fresno, the county seat, has a population of 494,665 residents while the city of Clovis, the county's second largest city, has 95,631 residents. Historically, between 65%-70% of the county's population live within the the Fresno-Clovis Metropolitan Area (FCMA), which includes both cities as well as unincorporated neighborhoods within and adjacent to these communities. Over the last decade Fresno City's population grew 15.7% while Clovis grew by 39.7%.

The following table lists the incorporated communities in Fresno.

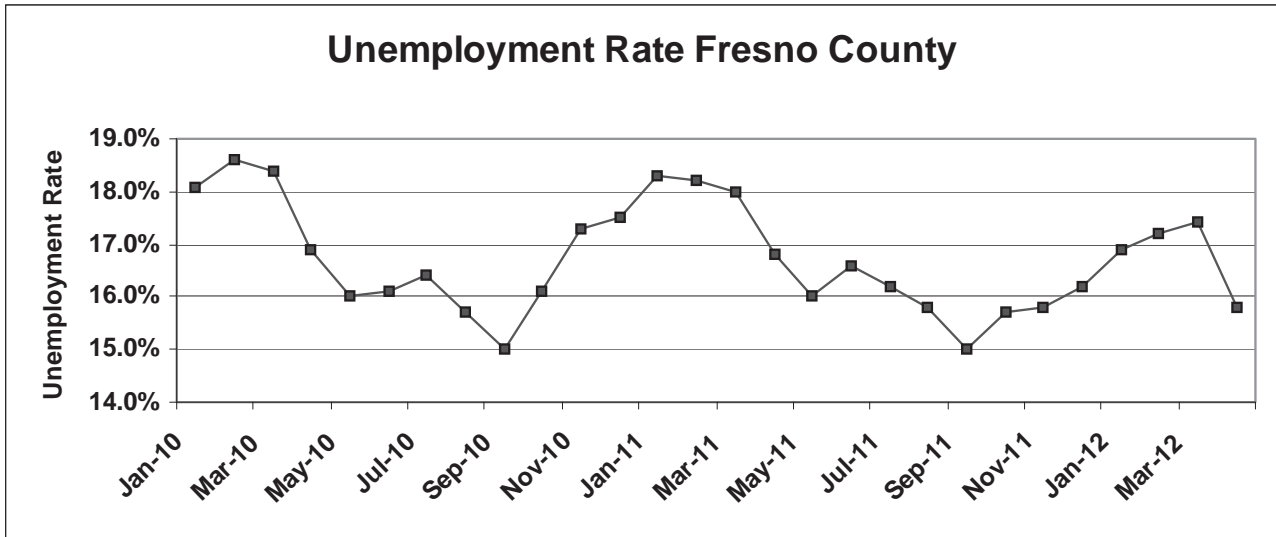
**Population Change 2000-2010
Incorporated Communities of Fresno County**

City	Total Population		Change, 2000-2010	
	April 1, 2000	April 1, 2010	Number	Percent
Cities in Fresno County along the Freeway 99 Corridor				
Fresno	427,652	494,665	67,013	15.7%
Clovis	68,468	95,631	27,163	39.7%
Selma	19,444	23,219	3,775	19.5%
Kerman	8,551	13,544	4,993	58.4%
Kingsburg	9,199	11,382	2,183	23.7%
Fowler	3,979	5,570	1,591	40.0%
East Fresno County Cities				
Sanger	18,931	24,270	5,339	28.2%
Reedley	20,756	24,194	3,438	16.6%
Parlier	11,145	14,494	3,349	30.0%
Orange Cove	7,722	9,078	1,356	17.6%
West Fresno County Cities				
Coalinga	16,213	13,380	-2,833	-17.5%
Mendota	7,890	11,014	3,124	39.6%
Firebaugh	5,743	7,549	1,806	31.4%
Huron	6,306	6,754	448	7.1%
San Joaquin	3,270	4,001	731	22.4%

Population projections published by the California Department of Finance in May 2012 forecast a 16% population growth for Fresno County over the next decade. By 2020, Fresno County is forecast to have a population of 1,083,889 residents. Assuming the FCMA continues to capture about 65% of the county's total population, approximately 780,000 people will reside within the Fresno-Clovis urban area.

Employment: Over the last two decades the labor force in Fresno County has grown from 313,000 workers in 1990 to 441,100 workers (preliminary) in April 2012. Because of the region's agricultural base and the seasonality of work in this industry, annual unemployment in the county typically fluctuate between 10% and 15%. Fresno and surrounding countries in the San Joaquin Valley tend to have higher unemployment levels than the much larger and more economically diverse regions in southern and northern California. The lowest period of unemployment was between 2005 and 2007 during the recent housing boom when the county's annual unemployment averaged between 8.0% to 9.0%. With the

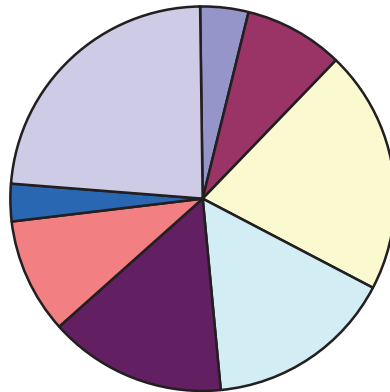
collapse of the housing market and the 2008-09 recession, employment levels declined dramatically. For the last three years Fresno County's unemployment rate has been above 14% each month. The following graph shows the seasonal fluctuations of employment patterns in the county since January 2010.



California Employment Development Department reported April 2012 unemployment in Fresno County was 15.8%, which was a decline of 1.6 percentage points from the prior month. For this same period California showed a 10.5% unemployment rate in April, a one percentage point decline from the March. The level of unemployment is forecast to remain high in Fresno County as this region struggles to recover from the recent recession.

The economic base of the Fresno County is a mix of farming, government and services. According to the California State Employment Development Department, preliminary estimates for wage and salary employment in all industry sectors in Fresno County totaled 328,000 workers in April 2012. This is an increase from March 2012 (319,000 workers) as well as from a year ago (324,000 total workers April 2011). Federal, state and local government comprise the largest share with 23% of the non-farm payroll employment. Other major employment sectors include trade/transportation/utilities comprising 20.3% of the non-farm payroll jobs and education and health services that comprising 14.8% of the workers. The combined sectors of information, financial activities and professional/business services comprise 14.3% of the non-farm employment. While agricultural is the major export industry of the county in terms of gross dollars, this sector employed 43,000 workers in April 2012 or 13% of total workers. The following graph and table show non-farm employment trends by industry sector over the last year.

Fresno County Non-Farm Employment April 2012



- Constr, mining & logging
- Manufacturing
- Trade, transp., utilities
- Prof servcs, fin & inform
- Educ & health services
- Leisure & hospitality
- Other services
- Government

Fresno County Non-Farm Payroll Employment by Industry Sector

(Thousands of jobs not seasonally adjusted)

Non-Farm Industry Sector	Year Ago	Month Ago	Current	Month-Over Change		Year-Over Change	
	April 2011	March 2012	April 2012	#	%	#	%
Total, Non-Farm	282,100	284,200	285,000	800	0.3%	2,900	1.0%
Constr, mining & logging	11,600	11,800	11,500	(300)	-2.5%	(100)	-0.9%
Manufacturing	22,800	24,300	23,800	(500)	-2.1%	1,000	4.4%
Trade, transp., utilities	55,500	57,500	58,000	500	0.9%	2,500	4.5%
Information	3,100	3,200	3,200	0	0.0%	100	3.2%
Financial activities	13,100	13,100	13,100	0	0.0%	0	0.0%
Prof. & business services	27,200	27,500	27,800	300	1.1%	600	2.2%
Educ & health services	42,000	42,200	42,300	100	0.2%	300	0.7%
Leisure & hospitality	27,100	27,600	27,700	100	0.4%	600	2.2%
Other services	10,000	9,900	9,900	0	0.0%	(100)	-1.0%
Government	69,700	67,100	67,700	600	0.9%	(2,000)	-2.9%

While agriculture is a major industry in Fresno County and the economic base for the region, many other industry sectors help complement and stabilize the economy. Some of the larger private and public employers in Fresno County include the following enterprises and organizations:

MAJOR EMPLOYERS IN FRESNO COUNTY		
Major Employer – Private	Activity	Number of Employees
Community Medical Centers	Health care	6,000
Kaiser Permanente	Health care	2,603
Pelco	Manufacturing video security	2,150
Saint Agnes Medical Center	Health care	2,031
Quinn Group, Inc.	Manufacturing	1,178
Foster Farms	Food processing - poultry	1,100
AT&T	Telecommunications	1,000
Cargill Meat Solutions	Meat production	999
Zacky Farms	Food processing - poultry	975
Aetna	Insurance	950
Harris Ranch Beef Company	Meat production	700
Sun-Maid Growers of California	Raisin & dried food processing	600
The Nelson Group	Automotive sales	515
Guarantee Real Estate	Real estate sales	491
Fresno Truck Centers	Transportation sales	460
Sunrise Medical	Home care & mobility products	450
Lyons Magnus	Food processing	420
Guardian Industries	Float glass manufacturing	365
Educational Employees Credit Union	Financial institution	359
Producers Dairy Foods	Dairy product processing	350
Turner Security Systems	Security services & alarm response	338
Securitas Security Services USA	Security services & alarm response	325
Anlin Industries	Manufacturing windows & doors	310
The Fresno Bee	Newspaper publisher	307
Grundfos Pumps & Manufacturing	Manufacturing water pumps	276
MAJOR EMPLOYER – PUBLIC		
Internal Revenue Service	Federal government	NA
Fresno Unified School District	Education	11,500
County of Fresno	County government	6,500
City of Fresno	City government	3,780
Clovis Unified School District	Education	3,370
California State University, Fresno	Education	1,671
State Center Comm. College Dist.	Education	4,155
VA Central Calif. Health Care System	Health care	897
Fresno County Office of Education	Education	759
San Joaquin Valley Air Pollution Control District	Air quality	306
Source: Fresno County Economic Development Corporation		

The Business Forecasting Center at the University of the Pacific Eberhardt School of Business, publishes a quarterly economic report, *California & Metro Forecast 2010-2015*, forecasting population, employment, and income trends in California and ten metropolitan areas from Sacramento to Fresno including the San Francisco Bay Area. In the January 2011 publication, they project a long slow economic recovery for California with the state's real gross product averaging a modest 2.8% annual increase through 2014. Non-farm payroll employment is forecast to grow 1% for the state and less than one-half percent for the Central Valley region. As the economy continues its slow recovery over the next four years, annual non-farm payroll employment growth will average between 1.9% and 2.3% for the state and region.

With 26,600 jobs lost in the recession in Fresno County, or 8.9% the non-farm payroll jobs, the Business Center forecasts it will take until the second half of 2015 before jobs recover their 2007 peak. Annual job growth in 2012 will be a modest 0.8% and will be led by the construction and mining, transportation and utilities, health care and other service sectors. As the economy continues to recover, job growth will see modest rises of 1% to 2% over the next two years. Over this same period unemployment levels in Fresno County are expected to fall and average about 14 % for the next several years.

Sales Tax: The State Board of Equalization has reported taxable sales in retail outlets of \$6,918,513 in 2010 for Fresno County. Sales growth in Fresno County turned negative in 2007, down 3.1% from the prior year. Negative sales growth continued through 2009. Over this three-year period retail sales declined a total of 25.6%. In 2010 retail sales turned positive with a growth of 2.7%, which indicates the decline in sales has reached bottom. Forecasts call for retail sales to maintain a moderate pace of growth going forwards.

Fresno and Clovis are the largest cities in the county and capture the bulk of the retail activity in the county. In 2010, the City of Fresno had \$4,456,469 in taxable sales and the City of Clovis had \$1,048,537. The difference between the sales for Fresno County and the total for Fresno and Clovis is attributable to the sales generated in other cities in the county. Between 2007 and 2009 these cities saw similar rates of decline in their retail sales as did the county. In 2010 Fresno and Clovis saw modest increases of 2.6% and 2.1%, respectively, from the prior year.

The following table shows the taxable retail sales in Fresno County over the last 20 years.

SUMMARY OF FRESNO COUNTY TRENDS						
Year End Except as of April 1st in Census Yrs	Population Fresno County ^a	Average Industry Employment ^b		Average Unemployment Rate ^b	Taxable Retail Sales ^c (1000's)	Per Capita Personal Income ^d
		Farm	Non-Farm			
1990	667,490	52,700	244,500	11.7%	\$4,023,360	\$16,928
1991	686,000	59,600	227,300	13.5%	\$4,002,240	\$17,023
1992	706,100	47,900	230,200	15.6%	\$4,089,075	\$17,539
1993	722,600	51,500	233,600	15.5%	\$4,181,708	\$18,036
1994	735,200	56,900	237,200	14.3%	\$4,345,645	\$18,105
1995	746,500	58,200	243,500	14.1%	\$4,426,605	\$18,563
1996	760,900	62,000	246,800	13.4%	\$4,566,309	\$18,874
1997	776,200	60,300	249,800	13.6%	\$4,666,414	\$19,059
1998	786,779	58,700	253,500	14.3%	\$4,868,469	\$19,839
1999	799,407	56,300	262,000	13.6%	\$5,338,431	\$20,662
2000	799,407	55,600	270,600	10.4%	\$5,857,841	\$21,508
2001	808,611	48,700	275,900	10.7%	\$6,110,890	\$22,592
2002	821,809	46,600	282,000	11.5%	\$6,513,761	\$23,492
2003	837,256	46,200	282,700	11.8%	\$7,048,496	\$24,399
2004	853,057	46,000	286,900	10.5%	\$7,730,818	\$25,225
2005	866,058	46,400	294,300	9.0%	\$8,556,886	\$26,052
2006	879,128	46,500	203,600	8.0%	\$9,058,802	\$27,081
2007	893,088	48,100	306,400	10.0%	\$8,776,111	\$28,181
2008	906,521	48,900	303,000	10.5%	\$7,872,783	n/a
2009	918,560	47,200	286,600	15.1%	\$6,735,619	n/a
2010	930,450	47,100	229,800	16.8%	\$6,918,513	n/a

^a California Department of Finance (CDF) estimates for non-census years are reported as of January 1st but listed in this table at year-end of preceding year.
^b California Employment Development Department: Labor Market Information Division (Benchmark March 2010)
^c State Board of Equalization and *California Retail Survey*, 2011; unadjusted dollars
^d State Employment Development Department (Fresno County)

Agricultural Production: The total gross production value of Fresno County's agricultural commodities in 2010 was \$5,944,758,000. This represents a 11.17% increase from the 2009 production value. Fruit and nut crops accounted for 45% of the gross production value followed by vegetable crops at 25% and livestock and poultry at 20%. Those commodities with the highest year-over-year increases were fruit and nut crops with a \$403 million increase, livestock and poultry products (that include milk, eggs and wool) with a \$95 million increase, field crops with a \$67 million increase and vegetable crops with a \$63 million increase. A season of abundant rain fall led to an improved and consistent supply of water, which in turn contributed to a record year for crop values and yields. According to the Agricultural Commissioner, Ms. Carol N. Hafner, the outlook for 2011 is "guardedly optimistic . . . [though] the guarantee of water and of the cost of production is beyond the control of the grower."

Agriculture continues as the major industry in Fresno County and is a driving force in the county's economy. According to the Fresno County Department of Agriculture, every dollar received by Fresno County producers results in the economic extension benefit of \$3.50 to the total economy of the county.

The following table shows the Fresno County’s ten leading crops for Year 2010.

FRESNO COUNTY'S 10 LEADING CROPS					
<i>Crop</i>	<i>2010 Rank</i>	<i>2010 Dollar Value</i>	<i>2009 Rank</i>	<i>2000 Rank</i>	<i>1990 Rank</i>
Grapes	1	\$820,300,000	1	1	1
Almonds	2	619,004,000	4	7	14
Tomato	3	583,283,000	2	4	3
Poultry	4	486,160,000	3	2	+
Milk	5	393,266,000	6	5	5
Cattle & Calves	6	291,877,000	5	6	6
Garlic	7	264,948,000	10	12	15
Pistachio	8	222,480,000	11	26	*
Oranges	9	207,086,000	8	11	8
Cotton	10	150,562,000	18	13	2
Top Ten Total					
+ Not previously combined for ranking purposes.					
* Not in top 30 ranking					
Note: Data provided by the County of Fresno Department of Agriculture, <i>2010 Agricultural Crop & Livestock Report</i> .					

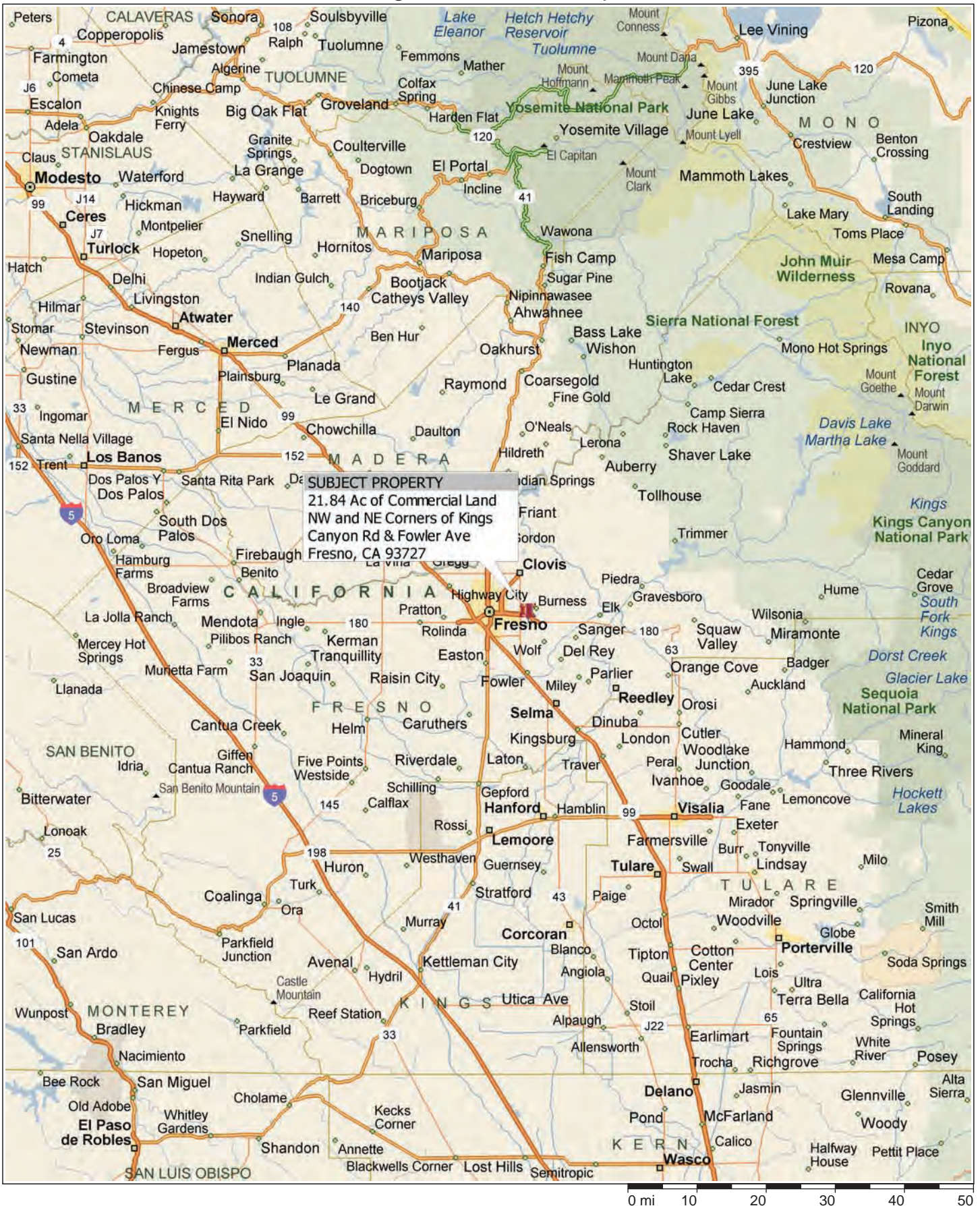
Public Transportation: Fresno, a designated United States Port-of-Entry, is a hub of transportation facilities of all kinds, connecting Central California to designations anywhere in the world.

With two municipal airports, Fresno provides facilities for both private and commercial aviation services. Allegiant Air, American Airlines, American Eagle, American West Express, United Express, Delta/Sky West, and Horizon Air operate regularly scheduled flights from the Fresno Yosemite International Airport. Both the Burlington Northern Santa Fe and Union Pacific Railroads have extensive freight terminal facilities. Amtrak also serves the Fresno market. Greyhound bus line has a terminal in Fresno, in addition to Fresno Area Express, which provides local metropolitan area bus service. Dozens of trucking firms provide service of every description to all parts of the country.

Community Facilities: The Fresno area provides all of the service and supply, cultural and recreational facilities of a large metropolitan area, including police and fire protection; public elementary; junior high and high schools; one public junior college; one state university; 16 private schools; medical and dental facilities; churches; a library system; motels; restaurants; and numerous shopping facilities.

Climate: The county climate varies from subtropical to alpine. Fresno County's mean maximum temperatures average from 55 degrees Fahrenheit in January to 99 degrees Fahrenheit in July. Precipitation ranges from an average of only 6 to 7 inches in the Westlands District, which is in the shadow of the Coast Ranges, to over 50 inches in parts of the Sierra Nevadas. Foggy periods are frequent in the valley during the winter months; however, the year-round sunshine more than offsets winter foggy periods.

Regional Location Map



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 Certain mapping and direction data © 2012 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from Canadian authorities, including: © Her Majesty the Queen in Right of Canada. © Queen's Printer for Ontario. NAVTEQ and NAVTEQ ON BOARD are trademarks of NAVTEQ. © 2012 Tele Atlas North America, Inc. All rights reserved. Tele Atlas and Tele Atlas North America are trademarks of Tele Atlas, Inc. © 2012 by Applied Geographic Solutions. All rights reserved. Portions © Copyright 2012 by Woodall Publications Corp. All rights reserved.

Fresno/Clovis Metropolitan Area Data:

The cities of Fresno and Clovis are located in the north-central portion of the Fresno County and share common boundaries along North Willow Avenue and the approximate alignment of Dakota Avenue. Though the two communities remained physically separated for most of the last century developing their own styles and personalities, they have grown together over the 25 years and now account for the largest population center in the San Joaquin Valley outside of the Sacramento area. The construction of several major highways (Freeways 41,168 and 180) in the urban area over this period supported this growth. The cities utilize common employment centers with residents of both cities commuting across town to work. Aside from jobs, the cities share common shopping, entertainment, cultural and recreational venues, as well as schools, hospitals and other regional services.

City of Fresno:

The city of Fresno was incorporated in 1885 and is the county seat of Fresno County. Located near the center of the state, Fresno is 184 miles south of San Francisco and 222 miles north of Los Angeles. The central business district of Fresno is located in the original sector of the city, generally located between the Santa Fe and Southern Pacific Railroad tracks and between Monterey and Divisadero Streets. Through the Second World War the central business district remained the center of commerce and government for the city. Residential development followed historical growth patterns, moving northward and eastward. During the late-1960's and 1970's, the northward urban expansion pulled retailers away from the central business district to more modern and functional shopping centers located in closer proximity to new suburban development. The downtown core area remains the focus of government and contains most of the regions City, County, State and Federal administrative offices.

Over the last 125 years the city of Fresno has grown from 10,000 people to 500,000 people. The city extends north to the San Joaquin River, the county's northern boundary, and encompasses almost 50 square miles of land area. In the 2010 US Census the city of Fresno had a population of 494,665 residents and was ranked the fifth largest city in the state of California. This reflects an increase of 13.5% from the 2000 Census which reported the city's population of 427,652. Based on estimates from the California State Department of Finance the city of Fresno reached 500,121 residents as of January 1, 2011, an increase of 1.2% from January 1, 2010. This rate of growth is similar to the County's growth rate of 1.1% for the same period and is higher than the state's 0.8%.

City of Clovis:

The city of Clovis grew up around San Joaquin Division of Southern Pacific Railroad that was developed to serve farming, livestock, mining and timber interests in the valley and the nearby mountains. Sitting at the base of the Sierra Nevada foothills Clovis has long been known as the "Gateway to the Sierras." The community was founded in 1891 after the arrival of the railroad and the competition of the 42-mile long Shaver lumber flume and the 40-acre Clovis saw mill and finishing plant.

Clovis has experienced very rapid growth over the past 40 years and has been one of the fastest growing smaller communities in the state of California. Between 1970 and 1990, Clovis grew

from a rural town of 13,856 people to 50,323 residents. In the last twenty years the population in Clovis almost doubled reaching 95,631 residents in the 2010 census. The annual rate of growth between 2000 and 2010 was 3.9%. With the economic recession and collapse of the housing market, population growth has slowed. The State Department of Finance estimates the January 1, 2011, population at 97,218 residents, an increase of 1.8% from the prior year, but above the pace of growth in the city of Fresno and in the County.

In addition to the central business district of each community there are two regional shopping centers in north Fresno, Fashion Fair at Shaw Avenue and First Street and River Park at Blackstone and Nees Avenues, and one in Clovis, Sierra Vista Mall at Shaw and Clovis Avenues. Numerous community and neighborhood centers are located throughout the metropolitan area.

As evident from the agricultural influence in Fresno County, the economic base of Fresno- Clovis area is similarly oriented; however, many industries help complement and stabilize the economy. Major industrial and/or manufacturing firms include The Gap, Pelco by Schneider Electric, iLoveToCreate® a Duncan Enterprises Company, and P.P.G. Industries. Several of the largest non-manufacturing employers include the Internal Revenue Service, Community Hospital and Medical Center, California State University-Fresno, the City of Fresno, University Medical Center, Saint Agnes Medical Center, Pacific Bell, and Pacific Gas and Electric Company.

SUMMARY OF TRENDS - CITIES OF FRESNO & CLOVIS							
<i>Year End</i>	<i>Fresno City Population^a</i>	<i>Clovis City Population^a</i>	<i>Taxable Sales^b (1000's)</i>	<i>Building Permits^c - Fresno</i>		<i>Building Permits - Clovis</i>	
				<i>Single Family (units)</i>	<i>Multi Family (units)</i>	<i>Single Family (units)</i>	<i>Multi Family (units)</i>
1990	354,091	50,323	\$2,704,716	2,031	1,297	--	--
1991	379,823	54,309	\$2,655,118	1,875	535	--	--
1992	389,144	56,538	\$2,665,848	2,271	569	--	--
1993	395,649	59,140	\$2,745,973	1,915	234	--	--
1994	401,317	62,389	\$2,782,163	1,803	184	--	--
1995	406,338	63,839	\$2,858,643	1,454	504	--	--
1996	410,813	64,653	\$2,858,683	1,625	282	366	2
1997	414,597	65,376	\$2,955,097	1,323	182	280	17
1998	419,629	66,308	\$3,006,271	1,365	139	390	160
1999	425,778	68,057	\$3,337,248	1,459	294	362	16
2000	427,652	68,516	\$3,665,810	1,397	49	507	0
2001	440,193	72,514	\$3,863,836	1,588	109	1,036	0
2002	447,548	75,805	\$4,158,346	1,134	179	1,319	0
2003	452,909	80,111	\$4,502,934	1,516	783	1,380	54
2004	457,786	84,552	\$4,920,482	2,085	1,033	1,430	437
2005	463,405	88,239	\$5,411,282	2,247	1,147	1,310	0
2006	470,817	90,155	\$5,643,638	1,792	183	655	0
2007	447,499	92,484	\$5,495,981	2,043	847	623	151
2008	487,353	93,629	\$4,950,428	887	192	415	16
2009	494,053	95,447	\$4,846,469	1,009	22	571	0
2010	494,665	95,631	-	712	192	38	0
2011	500,121	97,218	-	-	-	-	-

^a California Department of Finance (CDF) estimates for non-census years are reported as of January 1st but listed in this table at year-end of preceding year
^b State Board of Equalization and *California Retail Survey*, 2010
^c Fresno City Planning Department, Quarterly Housing Report (CSUF), Construction Industry Research Board, or U.S. Census Department

Housing in the Fresno-Clovis area has kept pace with past population growth. Over the last 25 years new single family construction has averaged between 2,000 and 2,500 units per year in the metropolitan area. At the height of the building boom of the last decade new home construction soared to 3,500 units in 2004-2005. Since the collapse of the housing market, building activity has declined to historically

low levels. New residential construction is concentrated on the fringes of the metropolitan area. The more active new home markets are in northeast and southeast Clovis, east Fresno, west Fresno and northeast Fresno. A number of local and national homebuilders offer new production homes with current prices in the \$175,000 to over \$350,000 range. According to the California Association of Realtors, the median home price for new and existing homes sales in Fresno County in December 2011 was \$140,480, a 3.3% decline from December 2010 median price of \$145,280 and a 3.6% decline from November 2011 with a median price of \$145,770. Sales volume was higher in December with 919 units reported selling compared to 808 sales a month earlier (November 2011) and 805 sales a year earlier (December 2010).

There are four school districts that serve residents of the metropolitan area. Four school districts have jurisdiction within the city limits of Fresno: Fresno, Central, Sanger and Clovis. Most educational facilities in the city of Fresno are administered by the Fresno Unified School District, which administers 93 elementary and junior high schools and eight high schools. Clovis Unified School District administers 41 schools in the northwest quadrant of the metropolitan area. The jurisdiction of this district includes the city of Clovis and rural areas north and east of town, neighborhoods in northeast Fresno (north of Herndon Avenue and east of Van Ness Extension) and east Fresno (south of Kings Canyon and east of Clovis/Fowler Avenue). Central Unified School District administers 22 schools in the western (west of Freeway 99) and northwest areas of the city. Sanger Unified School Districts serves residents in the southeast corner of Fresno (south of Kings Canyon and east of Clovis/Fowler Avenue). Though there are nearby elementary schools to serve the neighborhood, students in higher grades must travel to Sanger for middle and high school.

Post graduate instructional institutions in the metropolitan area include Fresno Community College, a state junior college, which has a main campus in central Fresno and recently built satellite campus in northeast Fresno; Pacific College, an accredited denomination university; and San Joaquin College of Law, an accredited private college of law. California State University-Fresno, is a four-year accredited institution offering Master of Arts & Science in many fields of study with an enrollment of approximately 25,000 students. Several other institutions offer associate and bachelor degrees, specialized master degrees, or certification programs. These institutions and trade schools include Heald College, Galen College of Medical and Dental Assistants, Lyles Colleges of Beauty, Manchester Beauty College, Sierra Valley Business College; ITT Technical Institute, Kaplan College, Milan Institute, University of Phoenix, DeVry University and Alliant International University.

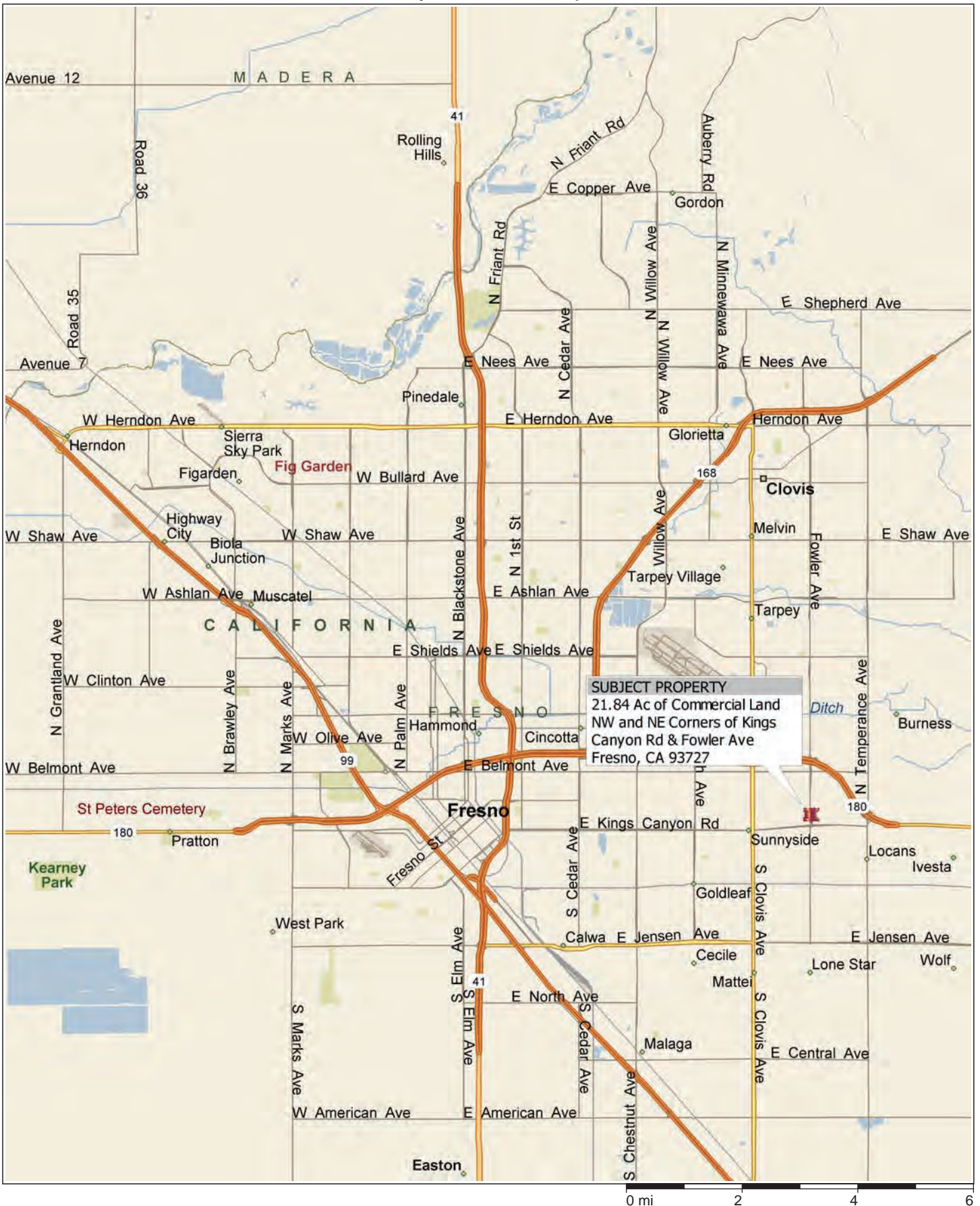
Other cultural and recreational resources in the metropolitan area include over 750 churches, 10 public libraries, one major newspaper, 86 radio stations, 16 television channels received directly, 3 regional parks, over 75 neighborhood parks/playgrounds, a nationally renowned zoological garden, three public golf courses, and five movie theater complexes. In addition, there is a Fresno Arts Center, The Fresno Philharmonic Orchestra, the Fresno Musical Club, Junior Museum of National History, Fresno Arts and Culture Events, Meux Home Museum, Legion of Valor Museum, Downing Planetarium, Forestiere Underground Gardens, Saroyan Theater; and a regional ballet company. For the sports enthusiasts and music venues, there is the Chukchansi AAA Baseball stadium, Fresno Convention & Entertainment Center, and the Save Mart Center.

Transportation facilities include truck, bus, rail and air. Numerous interstate and intrastate carriers have terminals in the Fresno-Clovis area providing overnight delivery to Los Angeles, San Francisco, Sacramento, Reno and San Diego. Greyhound provides passenger bus service. The Fresno County

Rural Transit Agency provides public transportation in each incorporated city within the county. Access to major highways is good, with the north/south Highways of 99 and 41 and the east/west Highway of 180 extending through the city. Interstate 5 is approximately 40 miles to the west. The Union Pacific and Burlington Northern Santa Fe Railroads offer freight transportation, while Amtrak provides passenger service. The Fresno Yosemite International Airport handles all commercial air transporting and is served by Allegiant Air, American Airlines/American Eagle, United Express, Delta Airlines/Sky West, and Alaska Airlines/Horizon Air, United Airline, United Express, US Airways. Chandler Municipal Airport serves general aviation needs as well as private and company aircraft.

The Fresno-Clovis area should continue to grow at least moderately, if not faster, than the state as a whole over the near term. The central state location provides many advantages to industry which, together with agriculture, makes the area economically stable. As the local economy strengthens and slowly recovers from the recession, business and employment opportunities will expand over the next two to three years.

City Location Map



Neighborhood Data:

The subject property is located in the southeast sector of the city of Fresno in the Roosevelt Community Plan area. This is one of the seven planning areas that make up the city of Fresno. The Roosevelt Community Plan is generally bounded by McKinley Avenue on the north, Temperance Avenue on the east, American Avenue on the south and First Street/East Avenue on the west.

Land uses within the community plan area are varied. The westerly portion of the community plan area is associated with the older downtown core area of the city of Fresno. The area lying east of the Chestnut Avenue alignment is devoted to newer construction associated with developments after World War II. Chestnut Avenue generally forms a line between pre- and post-World War II construction.

Industrial uses are more prominent in the Roosevelt Plan area. The southern end of the community plan area, notably the area south of the California Avenue alignment, is largely devoted to industrial uses. This area has the largest concentration of industrial uses serving the Fresno/Clovis Metropolitan Area. The easterly sector of the planning district is associated with the newer residential and commercial developments that have taken place over the past 15 years.

Available land noted in the community plan area is roughly equivalent, on a percentage basis, with the balance of the Fresno/Clovis Metropolitan Area. Approximately 31% to 32% is available for additional expansion, which is consistent with the larger Fresno/Clovis Metropolitan Area. A major mixed land use planning district is designated as the Southeast Growth Area. A copy of the map of the planning district is on the *following* page.

The City of Fresno has designated approximately 9,000 acres in the southeast sector of the Roosevelt Planning Area for future development that will accommodate approximately 45,000 homes and multi-family units plus a mix of office, commercial, and industrial developments by the year 2050. This district has been in the planning and public discussion stage since 2009 and will become a part of the city's new 2025 General Plan. Due to the recessionary economy and lack of commercial and residential growth in the Fresno community, the Southeast Growth Area plan has been slowed. However, it will resurface when the economy improves and will be a major growth area in the future.

Kings Canyon Road which is just south of the subject property is a designated major arterial. Kings Canyon Road, also designated as State Route 180, extends from Freeway 99 to the Sierra Nevadas and Kings Canyon National Park on the easterly sector of the valley floor. Fowler Avenue which borders the subject park on the west intersects with Kings Canyon Road one-mile to the south.

A major landmark in the southeast area is the Fresno County Fairgrounds. The fairgrounds lie on the south side of Ventura Avenue west of the Maple Avenue alignment. The fairgrounds act as a major draw to the area but only on a seasonal basis. Directly across the street from the fairgrounds is the University Medical Center, which has been moved to the Community Hospital campus at Fresno and "R" Streets. This facility has a larger amount of vacancy (400,000± SF) but is still being used by the County of Fresno for various social service needs.

The largest single employer in the area is the Internal Revenue Service. The Internal Revenue Service is located south of Kings Canyon Road between Willow and Peach Avenues. The facility has in excess of 500,000 square feet of building area and employs 2,000 people on a year-round basis with 3,000 people being employed during peak periods. To the southwest of this facility at Butler and Chestnut Avenues is Fresno Pacific College, an accredited four-year college sponsored by the Mennonite Brethren Church.

The Fresno Unified School District completed its first new high school in 36 years on 30 acres at the southeast corner of Kings Canyon Road and Peach Avenue. The school, Sunnyside High School, was completed in 1999 and accommodates over 2,500 students.

Commercial development which has occurred along Kings Canyon Road and Ventura Avenue, generally developed from the central business district following an easterly direction of growth. The majority of the commercial improvements along Ventura Avenue, which becomes Kings Canyon Road west of Chestnut Avenue, is older, freestanding commercial buildings. The structures are currently occupied by various types of secondary commercial uses, such as used furniture stores, automobile services, an older motel, marginal service station facilities, thrift shops, used appliance dealers and a few vacant parcels.

There have been several new developments constructed along Kings Canyon Road east of the Chestnut Avenue alignment over the past 15 years. One of the new shopping centers to be developed in the general area is a community center that is anchored by FoodsCo, a warehouse grocery store owned by Ralph's, and a Home Depot. The center contains a total of 249,595 square feet of gross leasable area and is currently 98% occupied. Other tenants in the center include Walgreens, Radio Shack, Anna's Linens, Aaron Brothers, and Chase Bank. Immediately to the east of this center, at the southeast corner of Kings Canyon Road and Willow Avenue, is a Food Maxx anchored center that contains a total of 191,714 square feet of gross leasable area. This center is anchored by Food Maxx, FAMSA, and a discount store. The center was completed in 1990 and is estimated to have an occupancy of approximately 90%.

At the northeast quadrant of Kings Canyon Road and Chestnut Avenue, are various retail improvements; and further to the east is a neighborhood center anchored by Big Lots and various in-line retail tenants. To the east of this center is another neighborhood center that is anchored by a 99 Cents Only store and a Fallas Parrides discount clothing store. In addition to these major tenants, there are various in-line shop tenants. This center is approximately 70% occupied.

In the vicinity of Kings Canyon Road and Peach Avenue, Wal-Mart developed a 88,164 square foot store in the late 1990's. The Fresno City Council approved (June 23, 2011) plans to expand the Wal-Mart building by 54,189 square feet to a total of 180,000 square feet. This addition will be for a full grocery section. The project would also include the development of 5.7 acres of vacant land within Wal-Mart's 19.2-acre footprint for four retail buildings and two restaurants for a total of 34,800 square feet of gross leasable area. No prospective retail tenants were identified for these proposed buildings.

At the southeast corner of Peach Avenue and Kings Canyon Road is a 30-acre block of land which is developed with Fresno Unified School District's Sunnyside High School. At the southwest corner of this intersection, a 70,000 square foot, WinCo Foods warehouse grocery store building has been completed along with some in-line shop space and two outpads, one developed with a CVS drug store

and the other with a Panda Express. The project was completed in 2009 and the in-line space of 35,350 square feet is undergoing lease-up and to date has a vacancy of 7,346 square feet or 20.8% excluding the ground lease tenant buildings and the shadow anchor tenant, WinCo Foods.

Other commercial developments in the area include a Von's anchored center at the southeast corner of Kings Canyon Road and Clovis Avenue, and a 171,000 square foot Save Mart center that has two co-anchors consisting of Orchard Supply Hardware and dd's Discounts. In addition to these food anchored centers, there are several smaller strip centers located along the Kings Canyon Road alignment.

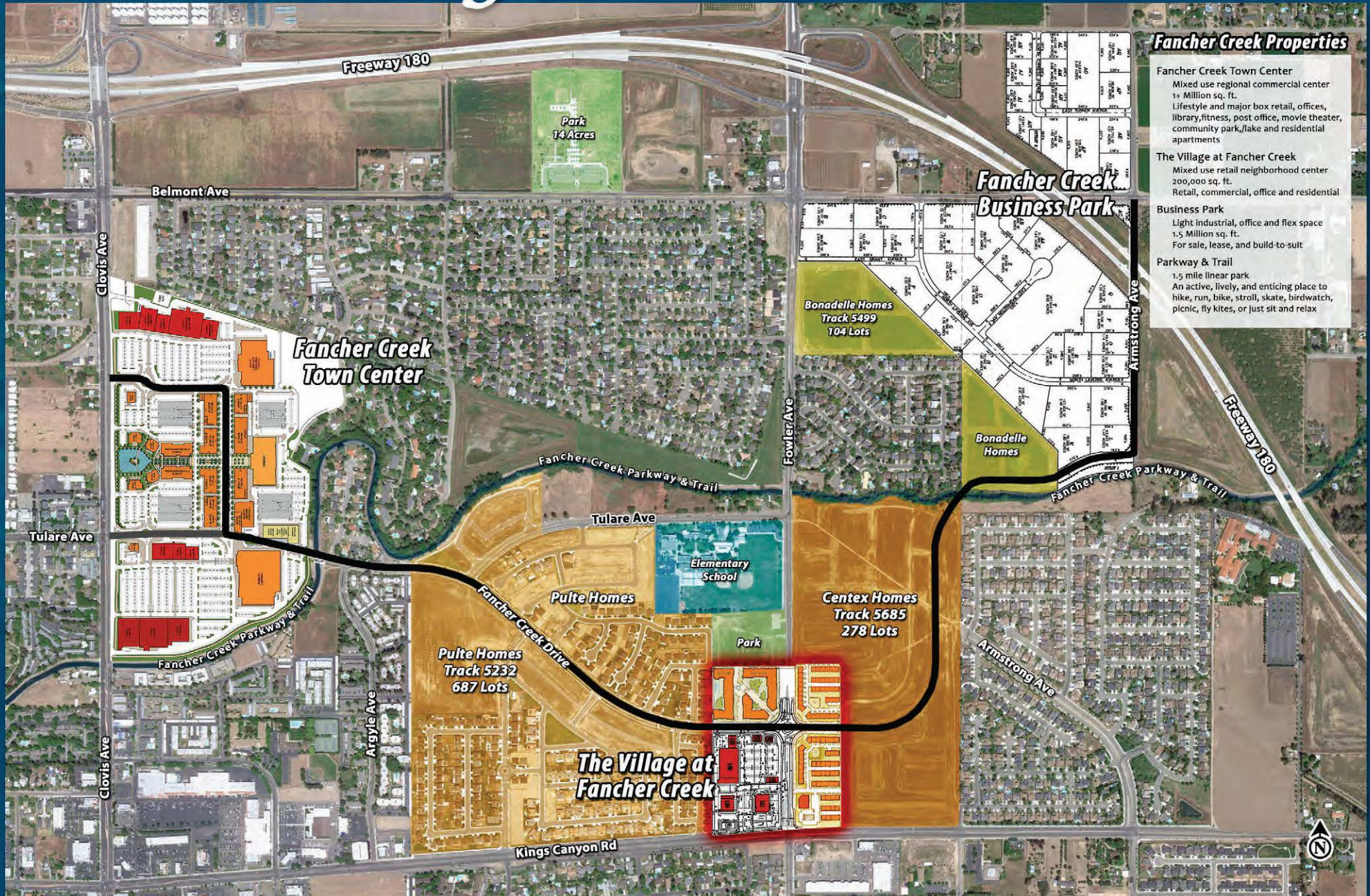
At the southeast corner of Kings Canyon Road and Fowler Avenue is a new shopping center that is undergoing lease-up. The center will contain 82,264 square feet at build-out and to date only 68,568 square feet has been completed. The anchor tenant is a freestanding fitness center that contains 28,288 square feet. The center was constructed between 2009 and 2010 and currently has a vacancy rate of 35% based on the total gross leasable area constructed to date. The center is considered a Class "C" investment grade property.

Residential properties located around the general area are mixed as to age and condition and quality of construction. Most of the older housing stock is located to the northwest and southwest of Chestnut Avenue. Chestnut Avenue is somewhat of a dividing line between the newer housing developments that have been constructed over the past 25 to 30 years that are situated to the south, southeast, and east, and the older housing stock located to the west. Within four to six blocks of Kings Canyon Road and Chestnut Avenue is the Sunnyside District. This is a higher-income area with good quality, estate-sized homes that have been developed around the Sunnyside Country Club. Around this area there has been a substantial amount of new housing construction that has taken place over the past five to ten years. The southeast area of Fresno has been one of the major housing growth districts for the city of Fresno. However, due to the downturn in the economy and the collapse of the housing industry, new developments in this area have come to a standstill. This area has suffered a large number of foreclosures and short sales which has prevented any new construction from taking place. As the economy rebounds, this area should pick up since it represents one of the main areas for entry-level housing. However, it will probably take several years before there will be a substantial amount of new construction throughout this submarket.

In addition to the housing stock, there are a number of apartment units that have been developed throughout the general area. Most of these apartment units were constructed 15-35 years ago and are considered to be fair to average quality units. The apartment market in the southeast sector of Fresno is improving as vacancies are lowering from rates of 8.0% to 10.0% to 4.0% to 6.0%. Rents are also firming as property owners are able to generate some increases.

In summary, the subject property is located along a major east/west arterial, Kings Canyon Road, that provides access through the southerly sector of Fresno. It is also situated along Fowler Avenue, a north/south arterial that has access to Freeway 180 located one-half mile to the north. The subject property's location along these arterials provides prospective tenants in a future development good exposure to a substantial traffic flow that traverses through the southeast sector of Fresno. The subject property is adjacent to several new housing developments and mature residential subdivisions. To the north of the subject is some vacant land that is planned for future single family, multifamily, and a business park. The subject property is also in close proximity to the Southeast Growth Area that will be a major growth district for Fresno over the next 40 years. Considering these factors, the subject will

The Village at Fancher Creek



Fancher Creek Properties

- Fancher Creek Town Center**
Mixed use regional commercial center
1+ Million sq. ft.
Lifestyle and major box retail, offices, library, fitness, post office, movie theater, community park, lake and residential apartments
- The Village at Fancher Creek**
Mixed use retail neighborhood center
200,000 sq. ft.
Retail, commercial, office and residential
- Business Park**
Light industrial, office and flex space
1.5 Million sq. ft.
For sale, lease, and build-to-suit
- Parkway & Trail**
1.5 mile linear park
An active, lively, and enticing place to hike, run, bike, stroll, skate, birdwatch, picnic, fly kites, or just sit and relax

Fancher Creek Town Center

Fancher Creek Business Park

Bonadelle Homes
Track 5499
104 Lots

Bonadelle Homes

Pulte Homes

Centex Homes
Track 5685
278 Lots

Pulte Homes
Track 5232
687 Lots

The Village at Fancher Creek

Tulare Ave

Elementary School

Park

Park

Kings Canyon Rd

Park
14 Acres



be well positioned to take advantage of any demand from new retail tenants looking to enter the general area especially as some of the newer centers reach stabilized occupancies and new retail space for lease becomes limited.

XX. SITE DESCRIPTION:

The following is a brief discussion of the description of the two parcels that comprise The Village Center:

Location:

The Village Center parcels are located at the northeast and northwest corners of East Kings Canyon Road and North Fowler Avenue, Fresno, California. The properties are situated in the southeasterly sector of the city of Fresno.

Thomas Bros. Map Code, Census Tract and A.P.N.:

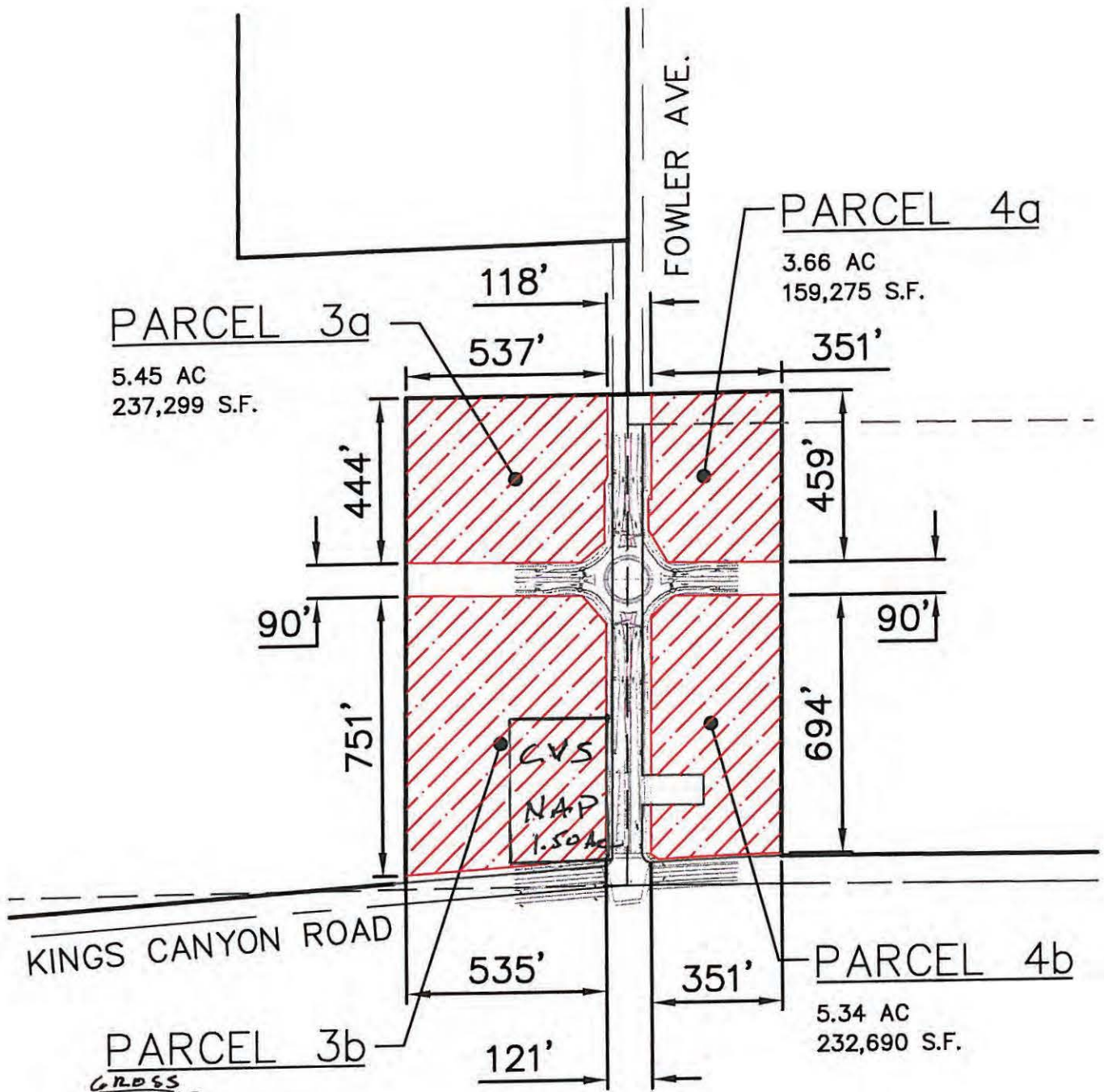
T.B.M.C.: 1303 J5/J6 and 1304 A5/A6
 C.T. 14.03
 A.P.N.: NWC E. Kings Canyon Rd. & N. Fowler Ave. = APN 313-021-30
 NWC N. Fowler Ave. & E. Fancher Creek Dr. = APN 313-021-31
 NEC E. Kings Canyon Rd. & Fowler Ave. = APN 313-280-72

Size and Shape:

The parcels are rectangular in shape. The following is an overview of their sizes:

PARCEL SIZE			
<i>Location</i>	<i>APN</i>	<i>Gross Acres</i>	<i>Size SF</i>
NWC Kings Canyon Rd. & Fowler Ave.	313-021-30	7.39 Acres	321,908 SF
NWC N. Fowler Ave. & E. Fancher Creek Dr.	313-021-31	5.45 Acres	237,402 SF
NEC E. Kings Canyon Rd. & N. Fowler Ave., & NEC N. Fowler Ave. & E. Fancher Creek Dr. (*)	313-280-72	9.00 Acres	392,040 SF
Totals		21.84 Acres	951,350 SF

(*)The northeast quadrant of Kings Canyon Road and Fowler Avenue shows a total of 9.13 acres as per the current assessor’s parcel number 313-280-72. However, this parcel will be divided by the east/west extension of Fancher Creek Drive with the northeast quadrant containing 3.66 acres and the northeast corner of Kings Canyon Road and Fowler Avenue containing 5.34 acres for a total of 9.00 acres or 392,040 square feet. Please refer to the *accompanying* parcel map.



APPROXIMATE PARCEL DIMENSIONS & AREAS

TOTALS:
 AC = 21.84
 SF = 951,350

Off-Site Improvements:

The parcels have partial off-site improvements installed. There is some off-sites existing along the Kings Canyon Road right-of-way for the parcel on the northeast quadrant of the intersection and also some off-site improvements along the westerly line of the Fowler Avenue alignment. Fowler Avenue is being widened so there is also new off-site improvements being installed along this arterial. There will be new off-sites installed as Fancher Creek Drive gets extended to the east and there will be new off-sites installed along the Kings Canyon Road that borders the property at the northeast quadrant of the Fowler Avenue and Kings Canyon Road intersection.

On-Site Improvements:

The acreage is vacant, unimproved land. There are no building improvements on any of the parcels except for the CVS drug store building that has been developed on the 1.50-acre parcel they acquired from the property owners.

Utilities:

The subject property can be served by all of the following public utilities which are available in the immediate area. These services and providers are as follows:

<u>Utility</u>	<u>Provider</u>
Water	City of Fresno
Sewage Disposal	City of Fresno
Trash Collection	City of Fresno
Electricity	Pacific Gas and Electric Company
Natural Gas	Pacific Gas and Electric Company
Cable Television	Comcast
Telephone	AT&T
Flood Control	Fresno Metropolitan Flood Control District
Police and Fire	City of Fresno

Topography/Drainage:

The subject parcels are vacant land and generally level to grade. Any excess water is drained through the subsoil.

Soils Condition:

A soil's report has not been reviewed; however, soils in the area are of a sandy loam texture and considered to be suitable for building purposes.

Easements:

A title report was not provided. There are likely public utility and roadway easements that impact the subject property. This appraisal assumes that there are no restrictive easements or other encumbrances that would limit the development or marketability of the subject property.

Streets:

The subject parcels have frontage along the north line of Kings Canyon Road. The parcels also have frontage along the east and west lines of Fowler Avenue. The westerly parcel is divided by Fancher Creek Drive that will extend from the planned regional center at Clovis Avenue and eventually connect with Armstrong Avenue to the east. Currently, the street terminates at Fowler Avenue. The easterly parcel has not been divided by the planned extension of Fancher Creek Drive and according to Mr. Scott Anderson, Pulte Homes will be responsible for construction of the easterly extension.

Kings Canyon Road is a major east/west arterial that is also designated as Highway 180. This road system is to become a part of the new 180 freeway that connects with Kings Canyon Road to the east of the subject property. Kings Canyon Road is a four-lane arterial that is asphalt paved and City maintained.

Fowler Avenue is a north/south arterial that is being widened to accommodate a heavier flow of traffic.

The intersection of Fowler Avenue and Kings Canyon Road is fully signalized. Fowler Avenue and Kings Canyon Road are maintained by the City of Fresno.

Access and Exposure:

The parcels have very good exposure and identity from Kings Canyon Road and Fowler Avenue. Access to the parcels will be from either one of these two arterials as well as from Fancher Creek Drive.

Zoning:

The City of Fresno's 2025 General Plan indicates the properties are designated for community commercial land uses, which is consistent with the C-2 zoning designation. The subject parcels are zoned C-2/BA-15/UGM. This zone district allows for development of community and neighborhood centers with a minimum parcel size of 10 acres. However, smaller developments can be constructed with conditional use permits.

The BA-15 designation identifies the property is lying within a boulevard area district. This is a zoning overlay that provides for special land development standards for certain designated streets and properties adjacent to these streets.

The UGM indicates that the property lies within an Urban Growth Management district which will require the developers to pay all development fees to help offset the infrastructure needed to support the subject development. These fees are not paid until the development commences.

Environmental Conditions:

Toxic or Hazardous Waste:

The appraiser has no expertise with respect to toxic wastes, hazardous materials or undesirable substances. Proper inspections of the property by qualified experts should be undertaken at the client's request to determine whether or not there are any current or potential toxic wastes, hazardous materials or undesirable substances in or on the property. The appraiser has not made, nor will make, any representations, either express or implied, regarding the existence or nonexistence of toxic wastes, hazardous materials, or undesirable substances in or on the property. Problems involving toxic wastes, hazardous materials, or undesirable substances can be extremely costly to correct. It is the responsibility of the client or recipient of this report to retain qualified experts to deal with the detection and correction of such matters.

Earthquake Hazard:

The subject is **not** located in a special study zone as set forth by the Alquist-Priolo Special Studies Zones Act of December 22, 1972, which went into effect March 7, 1973. This act pertains to properties that are located in active earthquake areas.

Significant Natural, Cultural, Recreational or Scientific Value:

The subject property is **not** located in an area that has any natural, cultural, recreational or scientific significance.

Flood Hazard:

The subject property is located in Flood Zone "X", according to FEMA Community Panel #06019C2135H, dated February 18, 2009. The property located in Flood Zone "X" is not considered to be within a designated flood hazard area.

Wetlands:

The subject property is **not** located in an area designated as a wetlands area.

XXI. IMPROVEMENTS DESCRIPTION:

There are no building improvements on the subject parcels.

XXII. RETAIL MARKET OVERVIEW:

An overview of the local retail market conditions of the subject property's trade area is presented for the reader's review. The market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility. The first part of the market analysis presents historical taxable retail sales information for the county and city of Fresno and the city of Clovis and an overview of a retail survey prepared by the Eureka Group. The second section will deal with the supply and demand characteristics of the neighborhood, which will include vacancy rates and leasing trends.

Historical Taxable Retail Sales

The historical taxable sales in Fresno County and the cities of Fresno and Clovis have been analyzed to determine trends in retail spending.

These retail sales are presented as follows:

Annual Retail Sales - Fresno County -Unadjusted Dollars

<i>Year</i>	<i>Total Sales (\$000s)</i>	<i>Fresno County Annual % Change</i>	<i>State Annual % Change</i>
1996	\$4,566,309	----	----
1997	\$4,666,414	2.2%	5.1%
1998	\$4,868,469	4.3%	5.6%
1999	\$5,338,431	9.7%	11.4%
2000	\$5,857,841	9.7%	12.3%
2001	\$6,110,890	4.3%	2.4%
2002	\$6,513,761	6.6%	2.6%
2003	\$7,048,496	8.2%	4.1%
2004	\$7,730,818	9.7%	6.9%
2005	\$8,556,886	6.0%	5.5%
2006	\$9,058,802	5.9%	3.5%
2007	\$8,776,111	-3.1%	-0.5%
2008	\$7,872,783	-10.3%	-7.7%
2009	\$6,735,619	-14.4%	-12.9%
2010	\$6,918,513	2.7%	2.5%
2011	\$7,350,564	6.24%	6.20%

Source: California Retail Survey 2012 Edition

The sales growth in Fresno County turned negative in 2007, down 3.1% from the prior year. The negative growth in retail sales continued through 2009 for a total decline of 25.6% between 2006 and 2009. In 2010, retail sales growth turned positive with a growth of 2.7% and then increasing to 6.24% for the year-ending 2011.

The next table shows the annual retail sales that have taken place within the cities of Fresno and Clovis between 1997 and 2011:

ANNUAL RETAIL SALES
- Cities of Fresno and Clovis -
Unadjusted Dollars

<i>Year</i>	<i>Fresno Total Sales</i>	<i>Fresno Annual % Change</i>	<i>Clovis Total Sales</i>	<i>Clovis Annual % Change</i>
1997	\$2,908,810	----	\$640,369	----
1998	\$3,042,969	4.6%	\$677,077	5.7%
1999	\$3,337,248	9.7%	\$767,973	13.4%
2000	\$3,665,810	9.8%	\$823,539	7.2%
2001	\$3,863,836	5.4%	\$868,439	5.4%
2002	\$4,158,346	7.6%	\$912,491	5.1%
2003	\$4,502,934	8.3%	\$951,864	4.3%
2004	\$4,920,482	9.3%	\$1,065,780	12.0%
2005	\$5,229,068	6.3%	\$1,168,795	6.4%
2006	\$5,643,638	7.9%	\$1,283,322	9.8%
2007	\$5,495,981	-2.6%	\$1,227,267	-4.4%
2008	\$4,950,428	-9.3%	\$1,141,365	-7.0%
2009	\$4,343,089	-12.3%	\$1,027,000	-10.0%
2010	\$4,456,469	2.6%	\$1,048,537	2.1%
2011	\$4,666,152	4.7%	\$1,141,888	8.9%
10-Yr. Avg.				
<i>Source: California Retail Survey, 2012 Edition</i>				

The city of Fresno's retail sales have shown the strongest growth rates from 1999 to 2006. The cities of Fresno and Clovis performed similar to the County with declines in 2007 through 2009 totaling 23% for the city of Fresno and a total decline of 20% for Clovis for the same time period. Both cities are experiencing a positive retail sales growth for 2011 at 4.7% for Fresno and 8.9% for Clovis.

A retail survey prepared by the Eureka Group on counties and cities in the State of California has recently been published for the 2012 year exhibiting data for 2011. The city of Fresno has been given a performance rank of "4" which is considered to be below average. Over the past 10 years, the city's growth persistence index has been average, while the five-year relative strength ratio of 0.95 is nearly equal to the state norm of 1.0. The city of Fresno's purchasing power is near the state averages. On an overall rating basis, the city of Fresno has been given an average ranking. In total sales, the city's retail sales rank is "5," while the city's per capita sales rank is "225." These rankings are out of a total of 478 cities in California. With the gradual improvement in the economy over the next several years, the retail sales in the city of Fresno should show a gradual increase.

Occupancy Trends in Existing Retail Projects

CBRE publishes a retail and vacancy survey for the Fresno/Clovis market. The most recent 2nd quarter 2012 survey indicated that the Fresno retail sector continued to stabilize as vacancy and lease rate trends remained relatively flat through most of 2010 and 2011. The Fresno retail market continues to take strides toward stabilization as the first half of 2012 came to a close. Leasing activity has been gradually increasing with one notable project, the Clovis-Herndon Center that is currently under construction. This project is located in the northeast sector of Clovis and will have in excess of 525,000 square feet of gross leasable area at build-out. The anchor tenant is Wal-Mart who is developing a 191,000 square foot Super Wal-Mart. To date, the project is approximately 75% preleased. There are two other projects that are in the planning and preleasing stages that will add another 900,000 square feet to the retail inventory in Fresno.

Although some tenant activity has increased, lease rates continue to remain soft due to the large amount of vacant space available for lease. The lower lease rates have drawn tenants to better locations, taking advantage of the increasing affordability of these spaces. It is anticipated that the Fresno retail market should foresee continued momentum throughout the balance of 2012 and into 2013 as the economy begins to improve.

The Fresno/Clovis retail vacancy and rental rates are as follows:

CBRE – FRESNO / CLOVIS RETAIL SURVEY – 2nd Quarter 2012					
<i>Submarket</i>	<i>GLA (SF)</i>	<i>Vacancy (SF)</i>	<i>Vacancy Rate (%)</i>	<i>Under Construction (SF)</i>	<i>Average Asking Rent (\$/SF/Mo)</i>
Northwest	7,114,988	782,649	11.0%	0	\$0.90
Northeast	2,193,780	193,053	8.8%	22,500	\$2.20
Southwest	3,932,293	464,011	11.8%	0	\$0.95
Southeast(*)	2,666,942	304,031	11.4%	0	\$0.85
Clovis	2,848,710	430,159	15.1%	491,000	\$1.05
Totals	18,756,713	2,173,898	11.6%	513,500	\$1.19
(*) Subject's submarket.					

As indicated from the CB Richard Ellis survey, the total vacancy rate for the Fresno/Clovis market was reported at 11.6% for the 2nd quarter of 2012. The retail vacancy rate within the subject's submarket, which is the southeast sector, was reported at 11.4%. The appraiser has prepared a vacancy study based on seven shopping centers located along the Kings Canyon Road corridor between Fowler and Chestnut Avenues. On the **following** page is a vacancy study outlining the various shopping centers that were surveyed.

The appraiser has surveyed a total of 957,228 square feet of 2nd generation retail space of which 32,346 square feet was vacant. Based on the total inventory, which includes the major tenant space, the average overall vacancy rate amounts to 3.4%. However, based on the total in-line space excluding the major tenant space the average vacancy rate amounts to 8.8%. A new strip center across the street from the subject property has not been included in the vacancy numbers since it is still undergoing its initial lease-up.

VACANCY STUDY

Comp #	Shopping Center Location	GLA Year Built	Major Tenant	SF	In-Line and Pad Space	SF	Vacancy Based On In-Line and Pad Space Only	
							Vacant SF	Vac. Rate
1	Kings Canyon Center 4855-4893 E. Kings Canyon Road Fresno, CA	<u>67,066</u> 1988	Dollar Store = Big Lots =	14,000 28,114	Misc. Tenants =	24,952	<u>3,500</u> 5.22%	
2	The Canyons Center 4910-4984 E. Kings Canyon Road Fresno, CA	<u>180,594</u> 1990	Dollar Tree = Food Max = Rite Aid =	15,000 55,080 31,472	Misc. Tenants =	94,042	<u>5,000</u> 6.30%	
3	Sunnyside Plaza 5618-5650 E. Kings Canyon Road Fresno, CA	<u>88,550</u> Remodeled 2000	Von's = FISCO =	49,000 18,000	Misc. In-Line Tenants =	16,470	<u>0</u> 0.00%	
4	Kings Canyon Pavilions NWC Kings Canyon Road and Willow Avenue Fresno, CA	<u>156,717</u> 1991	99 Cents Only = Fallas Pareda = Vacant =	30,167 29,576 39,632	Misc. In-Line Tenants =	57,342	<u>10,000</u> 29.30%	
5	Sunnyside Country Club Village NEC Kings Canyon Road and Clovis Avenue Fresno, CA	<u>179,356</u> 1982	Orchard Supply, Save Mart, & dd Discounts	120,160	Misc. Shop & Pad Tenants =	59,196	<u>5,000</u> 22.00%	
6	Eastgate Shopping Center SEC Kings Canyon Road and Chestnut Avenue Fresno, CA	<u>249,595</u> 2001-2002	FoodsCo = Walgreens = Home Depot =	57,590 14,490 95,932	Misc. Tenants =	81,583	<u>1,500</u> 0.00%	
7	Peach Tree Plaza SWC Kings Canyon Road and Peach Avenue Fresno, CA	<u>35,350</u> 2009 Excludes leasehold impr and WINCO Foods.	WINCO Foods = Shadow anchors include CVS and Panda Express (ground lease tenants)	n/a	Misc. In-Line Tenants =	35,350	<u>7,346</u> 0.00%	
8	Sunnyside Marketplace SEC Kings Canyon Road and Fowler Avenue Fresno, CA	<u>68,568</u> 2009-2010	GB3 Fitness Center =	28,288	Shop Space =	40,280	<u>23,816</u> 0.00% Undergoing Lease-up	
TOTAL GLA							957,228	
TOTAL VACANT SF							32,346	
TOTAL VAC. RATE							3.38%	
					(Comp. 8 excluded from survey)	Total In-Line Tenants =	368,935	<u>32,346</u> 8.8%

Note: Since Comparable 8 is still undergoing lease-up, the center has not been included in the survey to calculate the current vacancy rate.

In discussions with several leasing brokers, it was their opinion that the retail markets in the southeast sector have been substantially impacted by the depressed economic conditions. However, the centers have rebounded and have been able to re-stabilize their occupancies. Most of the tenant rollovers have occurred and the majority of the centers are beginning to back fill vacant spaces. Based on the current survey of the shopping centers located in the general area and in conversations with various brokers, it is the appraiser's opinion that a vacancy rate of 8% would be sufficient to develop the effective gross income for the subject property. At this vacancy level it would be economically feasible to develop a portion of the subject property to a retail use.

Planned Construction

There are no plans for new retail shopping center projects in the general area of the subject property other than the expansion of an existing Wal-Mart store and the Town Center, a 95-acre mixed regional shopping center. Wal-Mart is located to the west of the subject at 5125 East Kings Canyon Road or at the northeast quadrant of Kings Canyon Road and South Adler Avenue. The proposed expansion will convert the existing Wal-Mart discount store to a Wal-Mart Super Center that will increase the floor plate from its existing 125,811 square feet by 54,189 square feet to approximately 180,000 square feet. The addition would be devoted primarily to grocery sales. Along with the Wal-Mart expansion, the project would also include the retail development of the southwest portion of the project site with 26,850 square feet of specialty retail space and 7,950 square feet of restaurant space. The City of Fresno has just granted approvals for this expansion.

Another major development planned for the area is known as the Fancher Creek Master Planned Community. This development contains three main components. One is a 95-acre mixed regional commercial shopping center called The Town Center. This center is planned to be developed to a mixed use project that will include 1,000,000 square feet of commercial and retail lifestyle and restaurant space, 740 multifamily residential units, office and civic uses, as well as, a plaza, lake, and recreational area. It will be located along the east line of Clovis Avenue between Kings Canyon Road and Belmont Avenue approximately 1 to 1.5 miles northwest of the subject.

The second major commercial component of the Fancher Creek Master Planned Community is the Fancher Creek Business Park, which is a 43-lot business park zoned M-1, that is planned to accommodate over 1,500,000 square feet of industrial, office, and flex industrial space. This phase of the development has been subdivided into 43 lots and are currently on the market for sale. One of the parcels has been developed with a 102,847 square foot, warehouse/distribution building on a build-to-suit basis for Ferguson Enterprises. This project is located at the southeast corner of Belmont and Fowler Avenues one mile north of the subject.

The third and final component of the Fancher Creek Master Planned Community is the subject property, the Village Center, a 21.84-acre mixed use commercial and retail development that is proposed to be constructed at the northeast and northwest corners of Kings Canyon Road and Fowler Avenue. The first phase consists of the northwest corner has been developed with a CVS drug store and the balance of the parcel is planned for a grocery store and various retail buildings. This section of the development is still in the planning stage.

These projects represent the only major future developments that are planned for the southeast sector of Fresno.

Rents and Lease Terms

Rental rates for second generation retail space in the general area will range from \$.75 to \$1.50 per square foot per month triple net. Some of the new first generation space has been leased at \$1.75 to \$2.00 per square foot per month triple-net. Larger tenant spaces are the junior anchored spaces ranging from 8,000 to 15,000 square feet will rent between \$.70 and \$.85 per square foot per month triple-net depending on the age and condition, location, and tenant improvements.

The leases are generally structured on a triple-net lease basis wherein the tenant is responsible for their pro rata share of real estate taxes, insurance, property management, building maintenance, common area maintenance, common area utilities, and security. Common area charges for strip and neighborhood centers will range between \$.35 and \$.50 per square foot per month triple net depending on a center’s size, age, condition, and tenant mix.

Generally, the lease terms will range from three to five years with some tenants signing 10-year leases. The tenant improvement costs for second generation space will range from \$2.00 to \$5.00 per square foot; however, some landlords have had to increase tenant improvement allowances to negotiate their leases. Rent escalations are generally based on fixed rental increases or indexed at rates of 2% to 3% on an annual or periodic basis. Percentage rent is not commonly used in the retail leases in the Fresno area.

Trade Area

The appraiser has ordered a demographic report for the subject’s trade area, which was based on a one-, and two-mile radius from the intersection of Kings Canyon Road and Fowler Avenue. Only a small portion of the survey has been presented in the report as follows:

Demographics One- & Two-Mile Radi us

<i>Description</i>	<i>One-Mile</i>	<i>Two-Mile</i>
Population:		
2000	7,136	18,802
2010	10,072	25,685
2015 Projection	11,176	28,456
Growth 2000-2010	3.42%	3.09%
Growth 2010-2015	2.10%	2.07%
Largest Population by Age:		
Median Age - Years / 2015	36.5	33.7
Income:		
Median Household Income - 2010	\$53,614	\$50,311
Median Household Income - 2015	\$59,850	\$56,745
Median Housing Value - 2010	\$200,045	\$193,843
Median Housing Value - 2015	\$251,301	\$242,177
<i>Source: ESRI Demographics</i>		

As indicated from the information provided in the demographic report, the population base between 2000 and 2010 has shown an above average growth rate due to the increase in the housing developments that occurred between 2003 and 2006. The forecast over the next five years is for a reduction in the population growth rate. Again, this is due to the depressed housing markets that have occurred throughout the area. The median household income in the subject's trade area is higher than other sectors in southeast Fresno where the median income ranges from \$34,000 to \$45,000 per year. Within the subject's one- to two-mile trade area, 55% to 58% of the housing stock is owner occupied with the balance being renter occupied units. The average household size is 3.01 to 3.07 individuals within the trade area. Considering these basic demographics and income profiles, the subject's trade area is populated with a younger age group with an above-average household income. The primary profile of the population within the two-mile trade area is classified as prosperous empty-nesters, and up and coming families according to the market profile developed from the demographic report. Considering this makeup of the population base within the trade area, it appears there is a fairly strong income base to generate the demand for goods and services to support any future retail developments planned for the subject property and surrounding retail projects.

Conclusion

In conclusion, the commercial real estate market has seen difficult times over the past couple of years. However, most indicators suggest the economy has achieved neutral status, if not one of modest growth. The year 2009 was among the most difficult on record for retail property owners, as the economic shock led to souring store closures, tenant bankruptcies, and lease re-negotiations. It is believed that the worst of the crisis has passed but it is anticipated that retail market fundamentals will remain relatively flat with some moderate growth in 2013.

Investor demand for retail properties will continue to be moderate in the short term. Although there are some signs of improvement, it is uncertain how long it will take for the market to recover. Most investment activity consists of single tenant investment leased to top credit tenants. There have been very few sales of investment grade, multi-tenant shopping centers in the past couple of years. Notwithstanding the current weakness in the market, the subject is located in an established neighborhood, and it is the appraiser's opinion that the long term outlook for the property is good. Based on the subject's location, the property should have a good appeal to the development community for future commercial development to a mix of retail and office improvements.

XXIII. HIGHEST AND BEST USE:

The term "*Highest and Best Use*," as used in this report is defined as follows:

"The reasonably probable and legal use of vacant land or an improved property, 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." (The Dictionary of Real Estate Appraisal, 5th Edition, Chicago: Appraisal Institute, 2010, page 73)

The above definition applies specifically to the highest and best use of land or sites as though vacant. When a site contains improvements, the highest and best use may be determined to be different from the existing use. The existing use will continue unless and until land value in its highest and best use

exceeds the sum of the value of the entire property in its existing use and the cost to remove the improvements.

In determination of the highest and best use of both the land as though vacant and property as if improved, four criteria must be met. They are as follows:

1. Legal Permissibility: Zoning restrictions are highly important factors when considering potential uses. If a particular use is restricted by law to a property, the property is not available for that particular use.
2. Physical Possibility: This criterion will take into consideration size, shape, area and terrain of the parcel.
3. Financial Feasibility: Those uses that meet the preceding criteria will be analyzed further to determine which uses will produce a positive return above operating expenses, financial obligation and capital amortization. At this point in time, the appraiser will consider the supply and demand forces which influence the possible uses.
4. Maximum Productivity: Those uses which produce a positive rate of return are analyzed further to determine which will produce the highest rate of return.

The subject property is vacant land that will be divided four parcels that will range in size from 3.66 to 7.39 acres. The two parcels that are located at the northwest corner and northeast corners of Kings Canyon Road and Fowler Avenue will have two corner orientations while the other two parcels will have only one corner orientation. Thus, the parcels will have good appeal for future retail and office developments. CVS recently acquired a 1.53-acre pad west of the parcel at the northwest corner of Kings Canyon Road and Fowler Avenue for a new drug store location. They paid \$28.85 per square foot plus their contribution of off- and on-sites. This is one of the highest pad sales that has occurred in the Fresno/Clovis area, indicating the desirability of the property's location. The balance of the property is planned for the development to a neighborhood center. The other parcels are also planned for retail and office improvements. In considering the highest and best use for the property as vacant and as proposed, the four criteria as outlined above have been considered. Each of these criterion will be discussed as follows:

Highest and Best Use As Vacant and Proposed:

1. Legal Permissibility: The subject property is zoned C-2, which is a community commercial shopping center district. This zoning designation will allow for a variety of commercial uses including neighborhood and community shopping centers. This zoning would not allow for single family, multifamily, or industrial developments. Office improvements could be developed with this zone district with a conditional use permit. Given the subject site's location, current zoning designation, and surrounding land uses, the most probable development of the subject parcel considering the C-2 zoning designation is for commercial uses.
2. Physical Possibility: Considering the subject site's topography, shape, size, the availability of utilities, and location, it would be physically possible to develop the parcel with a number of different types of commercial uses.

3. Financial Feasibility: Developments along the Kings Canyon Road consist primarily of commercial improvements. This thoroughfare is a heavily traveled arterial that extends through the southeasterly sector of Fresno and to the rural sections of Fresno County to the east.

Land uses to the south are fully developed with single family residential tracts with properties to the east being generally open agricultural acreage in transition to higher and better uses. Parcels to the north are being developed into commercial and light industrial and office uses as well as residential. Land uses to the west are primarily developed with retail improvements along the Kings Canyon Road alignment.

Considering the current economic conditions and the recessionary economy that has had a significant impact on Fresno's retail market especially in the central and southerly sectors of Fresno, it is the appraiser's opinion that it would not be financially feasible to undertake the development of the subject property at this point in time. A vacancy study of various shopping centers located in the general area indicate that the overall average vacancy rate along the Kings Canyon Road corridor in the vicinity of the subject property is 8.80%. One of the newest centers to have been developed in the general area is the Peachtree Plaza, which is located at the southwest corner of Kings Canyon Road and Peach Avenue. This center contains 35,350 square feet of in-line space plus two ground leased pads that have been developed by CVS and Panda Express. In addition, there is a shadow anchor tenant, WinCo Foods, located within the development. This center was constructed in 2009 and has been undergoing lease-up since that time frame. The project still has not achieved stabilized occupancy since its current vacancy rate is 20.8%. Considering this property's good location and its strong shadow anchor tenants and that it still has not achieved stabilized occupancy, it is the appraiser's opinion that any new strip retail development would require a substantial lease-up time frame and rents would have to be negotiated at a very aggressive level. Because of his situation, a proposed strip retail project would not be financially feasible at this point in time unless a grocery store could be developed on the parcel with CVS. The combination food and drug anchor would stimulate leases for shop space planned for the center. However, it would not be economically feasible to begin development on the other parcels until more residential housing subdivisions are started in the general area.

4. Maximum Productivity: The greatest return to the land would be generated by developing the site at a future date when the economics and marketing conditions have substantially improved.

Conclusion: Based on the four criteria as outlined above, it is the appraiser's opinion that the highest and best use of the site as vacant and as proposed would be for its future development to a commercial retail center consistent with the C-2 zoning designation and a mixed use with some office improvements as demand is warranted.

XXIV. VALUATION METHODOLOGY:

There are three generally accepted approaches available in the valuation of real property. They are the Sales Comparison, Cost and Income Approaches. In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality of information available.

The Final Estimate of value considers the result of each approach used in this report. If more than one approach has been found applicable to the subject property, a correlation of indicated values will be performed to establish a final value.

The appraiser has considered the three traditional approaches to value and of these approaches just the Sales Comparison Approach has been used for valuation purposes. The property is vacant land, therefore, the Cost and Income Approaches are not considered to be applicable.

Sales Comparison Approach:

DEFINITION: "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 data are available. (The Dictionary of Real Estate Appraisal, 5th Edition, Chicago: Appraisal Institute, 2010, page 175)

The Sales Comparison Approach to value utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject property. This is done for both land and improved property. Valuation is often accomplished using a unit of comparison such as price per square foot, price per unit, gross or net rent multipliers. Adjustments are applied to the unit of comparison from the comparable sales, and the unit of comparison chosen for the subject is then used to yield a total value.

XXV. SALES COMPARISON APPROACH:

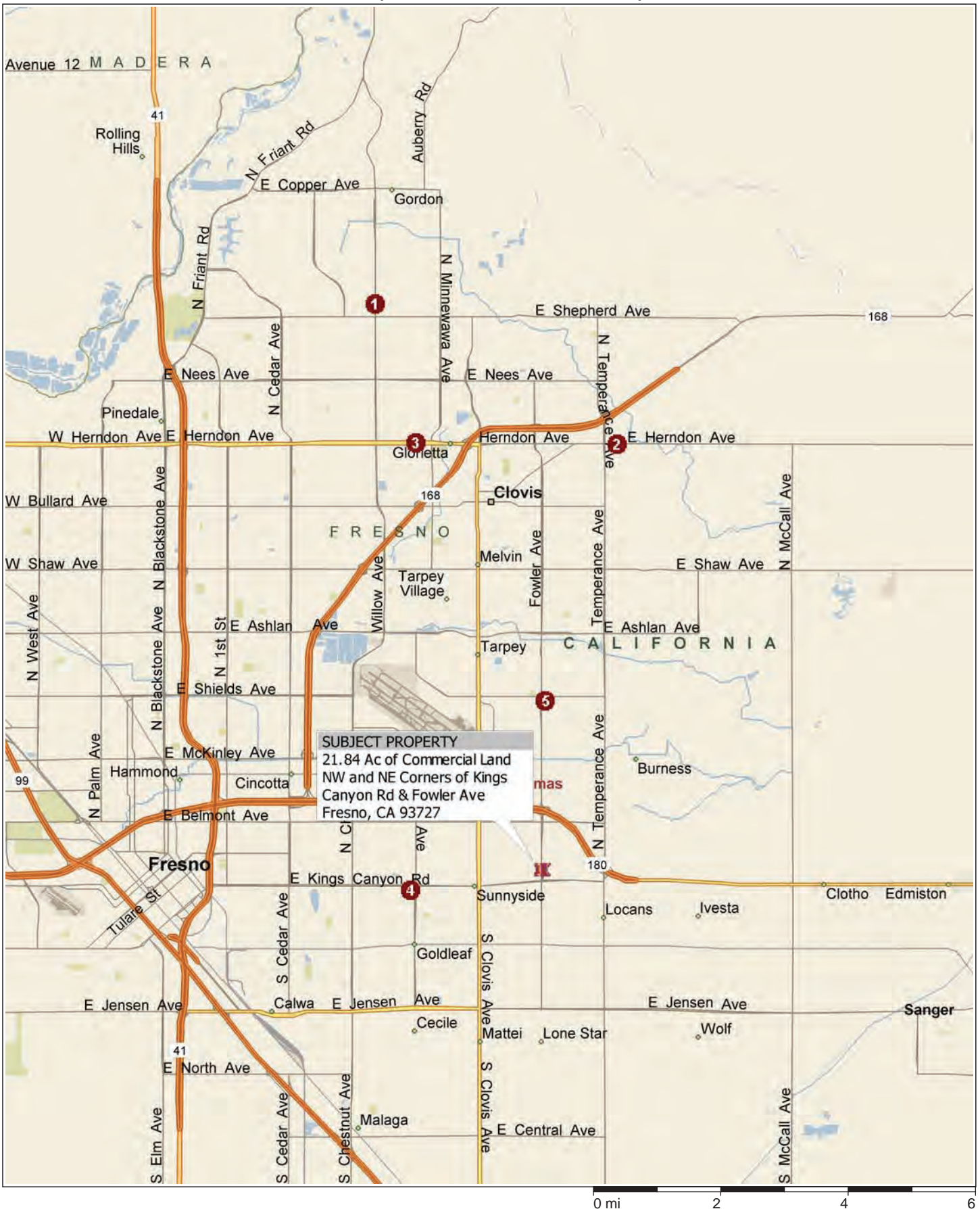
The appraiser has conducted a sales search for recent transactions of vacant parcels of land that were zoned for commercial development. The sales were compared to the subject and adjustments were made for various elements of comparison and the adjustments were based on a quantitative adjustment method. This adjustment method relies on percentage and dollar adjustments.

On the *following* page is a table entitled "Comparable Land Sales" showing the most recent commercial land sales that have occurred in the Fresno/Clovis area. It should be noted that due to the recessionary economy that has impacted the Fresno area, there has been a very limited number of lot sales that have occurred over the past three years.

COMPARABLE LAND SALES

<u>Sale No.</u>	<u>Location APN</u>	<u>Sale Date</u>	<u>Sales Price Terms</u>	<u>Size S.F. Size Acres</u>	<u>Price/S.F. Price/AC.</u>	<u>Zoning</u>	<u>Off-Sites On-Sites Utilities</u>	<u>Grantor Grantee Document No. Exposure Time</u>	<u>Bonds</u>
1	6753 N. Willow Ave. SW quadrant of Herndon and Willow Fresno, CA Fresno County Ptn of 410-031-03	Jan-12	<u>\$2,500,000</u> Market	<u>205,168</u> 4.71	<u>\$12.19</u> \$530,785	C-1-EA-CZ	<u>Curb, gutter, sidewalk, street lights</u> None All Available	<u>Fresno Herndon Development LLC</u> <u>Wal-Mart RE Business Trust</u> 12-001515Z 36 Months	None
2	SWC Herndon and Coventry Clovis, CA Fresno County 553-020-51	Nov-10	<u>\$1,100,000</u> Arm's Length	<u>169,884</u> 3.90	<u>\$6.48</u> \$282,051	C-2	<u>All in place</u> <u>Vacant land</u> All available	<u>Omeq Fortress Management</u> <u>Central Valley Indian Health</u> 2010-148618 N/A	None
3	NWC Peach & Herndon Aves. Clovis, CA Fresno County 561-260-16	Feb-09	<u>\$5,775,000</u> Market	<u>502,247</u> 11.53	<u>\$11.50</u> \$500,867	C-2	<u>Curb, gutters, streets</u> <u>Vacant</u> All Available	<u>Lithia Real Estate Inc.</u> <u>Peach Avenue Partners, LLC</u> 09-18272 24 Months	None
4	West side of Peach, south of Kings Canyon Fresno, CA Fresno County 472-021-36, 44	Jan-08	<u>\$4,840,000</u> Market	<u>473,062</u> 10.86	<u>\$10.23</u> \$445,672	C-2-UGM	<u>Curb, gutter</u> <u>Vacant</u> All available	<u>Hands Equity, LP</u> <u>Kings Canyon Hwy Partners - WINCO Foods</u> 08-002923 6 Months Est.	None
5	SEC of Fowler and Shields Avenues Fresno, CA Fresno County 310-740-01 through 06	Jun-08	<u>\$5,349,332</u> Market	<u>701,613</u> 16.11	<u>\$7.62</u> \$332,116	C-1	<u>None</u> <u>Vacant land</u> All available	<u>Locans Investments</u> <u>Fresno South East Development, LLC</u> 08-083521 12 Months	None

Comparable Land Sales Map



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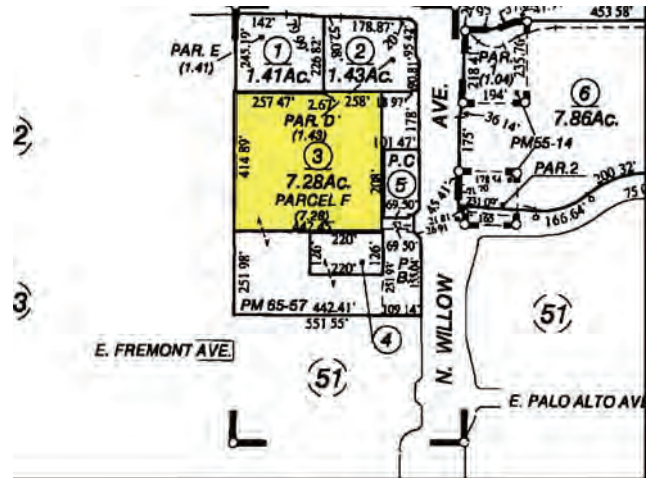
Land Sale No. 1

Property Identification

Record ID 1632
 Property Type Commercial
 Property Location 6753 N. Willow Ave.
 SWQ Herndon and Willow
 City Fresno
 County Fresno
 State CA

Site Data

APN Ptn of 410-031-03
 Land Area SF 205,168
 Land Area AC 4.710
 Topography Level
 Utilities All Available
 Zoning C-1-EA-CZ
 Off-Sites Curb, gutter, sidewalk, street lights
 On-Sites None



Sale Data

Grantor Fresno Herndon Development LLC
 Grantee Wal-Mart RE Business Trust
 Sale Date January, 2012
 Document No. 12-0015157
 Property Rights Fee Simple
 Marketing Time 36 Months
 Conditions of Sale Market
 Financing All Cash
 Confirmed By Peter S. Cooper
 Sale Price \$2,500,000

Units of Comparison

Sale Price/SF \$12.19
 Sale Price/AC \$530,786

Remarks

The property being acquired is part of a larger commercial parcel that is located in the northeastern sector of the city of Fresno in an established commercial corridor with very good access and visibility. The site is located on the west line of Willow Avenue approximately 225' south of E. Herndon Avenue. The buyer, Wal-Mart, plans to build a 36,000 square foot, freestanding grocery store building which will be one of their new grocery store formats that they are developing throughout the United States.

The property is vacant undeveloped land. It is zoned C-1, a neighborhood commercial designation. Off-site improvements (curb, gutter, sidewalk, street lighting) are in place along the Willow Avenue frontage. All utilities are available in the immediate area and can be extended to the site. The buyer plans to install a mid-block traffic signal to enhance access to the center at a cost of \$300,000.

The buyer also was granted ingress and egress easements to Willow Avenue as well as cross easements with the adjoining properties.

NOTE: The sale was recorded 2-2-12 and the deed was dated 1-23-12.

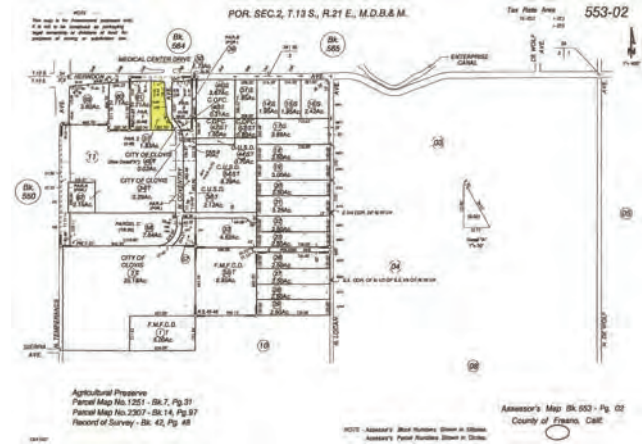
Land Sale No. 2

Property Identification

Record ID 1620
 Property Type Commercial
 Property Location SWC Herndon and Coventry
 City Clovis
 County Fresno
 State CA

Site Data

APN 553-020-51
 Land Area SF 169,884
 Land Area AC 3.900
 Topography Level
 Utilities All available
 Zoning C-2
 Off-Sites All in place
 On-Sites Vacant land



Sale Data

Grantor Omec Fortress Management
 Grantee Central Valley Indian Health
 Sale Date November, 2010
 Document No. 2010-148618
 Property Rights Fee Simple
 Marketing Time N/A
 Conditions of Sale Arm's Length
 Financing All Cash
 Confirmed By Peter S. Cooper
 Sale Price \$1,100,000

Units of Comparison

Sale Price/SF \$6.48
 Sale Price/AC \$282,051

Remarks

A commercial site consisting of 3.9 net acres located south of Clovis Community Hospital at the southwest corner of Herndon and Coventry Avenues, east of N. Temperance, sold for \$1,100,000 or \$6.48/SF of net land area. The site had partial off-sites improved. The site was acquired by Central Valley Indian Health for an owner-user medical facility.

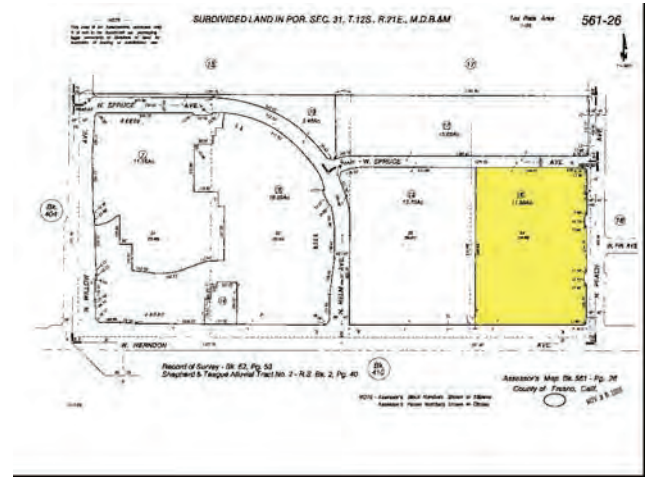
Land Sale No. 3

Property Identification

Record ID 1627
 Property Type Commercial
 Property Location NWC Peach & Herndon Aves.
 City Clovis
 County Fresno
 State CA

Site Data

APN 561-260-16
 Land Area SF 502,247
 Land Area AC 11.530
 Topography Level
 Utilities All Available
 Zoning C-2
 Off-Sites Curb, gutters, streets
 On-Sites Vacant



Sale Data

Grantor Lithia Real Estate Inc.
 Grantee Peach Avenue Partners, LLC
 Sale Date February, 2009
 Document No. 09-18272
 Property Rights Fee Simple
 Marketing Time 24 Months
 Conditions of Sale Market
 Financing Cash
 Confirmed By Katie Woods
 Sale Price \$5,775,000

Units of Comparison

Sale Price/SF \$11.50
 Sale Price/AC \$500,867

Remarks

Property is located at the northwest corner of Peach and Herndon Avenues in the city of Clovis. The property is planned for development to Peach Promenade, a neighborhood center where WINCO Foods will be the major tenant. The property was vacant land with all off-site improvements were in place at the sale date.

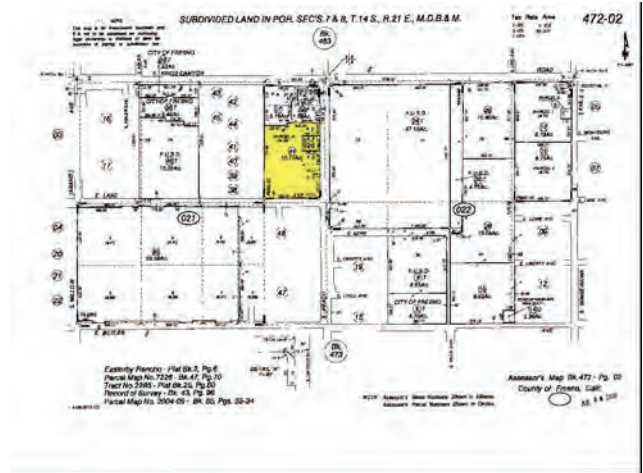
Land Sale No. 4

Property Identification

Record ID 1486
 Property Type Commercial
 Property Location West side of Peach, south of Kings Canyon
 City Fresno
 County Fresno
 State CA

Site Data

APN 472-021-36, 44
 Land Area SF 473,062
 Land Area AC 10.860
 Topography Level
 Utilities All available
 Zoning C-2-UGM
 Off-Sites Curb, gutter
 On-Sites Vacant



Sale Data

Grantor Hands Equity, LP
 Grantee Kings Canyon Hwy Partners - WINCO Foods
 Sale Date January, 2008
 Document No. 08-002923
 Property Rights Fee Simple
 Marketing Time 6 Months Est.
 Conditions of Sale Market
 Financing All Cash
 Confirmed By Bill Glover
 Sale Price \$4,840,000

Units of Comparison

Sale Price/SF \$10.23
 Sale Price/AC \$445,672

Remarks

The parcel is located on the west side of Peach Avenue, 230' south of Kings Canyon Road in the southeast sector of Fresno.

The parcel was sold by Zinkin Development Company to WINCO Foods for \$10.23/SF plus the buyer paid their pro rata share of on- and off-sites. WINCO Foods has developed the property with a 94,500 SF warehouse grocery store building. The adjoining property that was retained by the seller has been developed with the strip retail building containing 33,350 SF and two out pad commercial buildings.

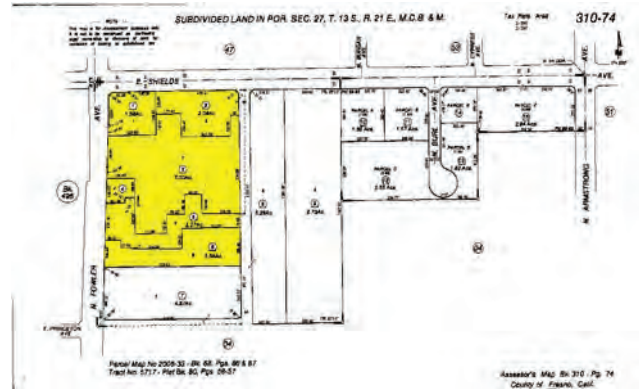
Land Sale No. 5

Property Identification

Record ID 1500
 Property Type Commercial
 Property Location SEC of Fowler and Shields Avenues
 City Fresno
 County Fresno
 State CA

Site Data

APN 310-740-01 through 06
 Land Area SF 701,613
 Land Area AC 16.107
 Topography Level
 Utilities All available
 Zoning C-1
 Off-Sites None
 On-Sites Vacant land



Sale Data

Grantor Locans Investments
 Grantee Fresno South East Development, LLC
 Sale Date June, 2008
 Document No. 08-083521
 Property Rights Fee Simple
 Marketing Time 12 Months
 Conditions of Sale Market
 Financing All Cash
 Confirmed By Peter S. Cooper
 Sale Price \$5,349,332

Units of Comparison

Sale Price/SF \$7.62
 Sale Price/AC \$332,116

Remarks

A 16.11-acre parcel containing 701,613 square feet of land area was acquired in June of 2008 for \$5,349,332, all cash. The property is located east of the Fresno airport in a developing residential district.

The property was zoned C-1, a commercial zoning designation. The corner site did not have any on-site improvements installed, but could be served by all normal city and public utilities that were available in the area. The buyer is responsible for their proportional share of off-site improvements.

The parcel was acquired on the basis of \$7.62 per square foot of land area. The parcel was acquired for development to a neighborhood shopping center. A Walgreen's drug store has built on the corner pad.

Summary and Reconciliation of the Light Industrial Finished Lot Sales:

The appraiser has compared the sales to the subject property and made adjustments for property rights conveyed, financing, conditions of sale, date of sale, location, and various physical characteristics. In addition the appraiser has made an adjustment for the assumption that the property has been encumbered with CFD bonds.

The appraiser has used a quantitative adjustment method which uses percentage and dollar adjustments. On the *following* page is a commercial land sales adjustment grid for the total Village Center parcel. It should be noted that the appraiser has valued all of the four parcels as one unit that contains 12.84 acres or 951,350 square feet of land area.

Each of the elements of comparison will be discussed as follows:

Property Rights Conveyed: The property interest that is being appraised for the subject property is that of the fee simple estate.

All of the sales involved the transfer of fee simple interests; therefore, no adjustments were warranted.

Financing: All of the sales were considered to be all-cash transactions; therefore, no adjustments were warranted.

Conditions of Sale: All of the sales were considered to be arm's-length transactions; therefore, no adjustments were warranted.

Date of Sale: The effective date of value is September of 2012.

Sales 4 and 5 occurred in January and June of 2008. It is the appraiser's opinion that these sales should be adjusted downwards since commercial land sales were starting to decline at this time frame. Thus, the appraiser has made a downward adjustment of 5%.

The other sales were considered to be fairly current transactions, therefore, no adjustments were warranted.

Location: The subject property is located in the southeast sector of Fresno and has a very good location along two major arterials, Kings Canyon Road and Fowler Avenue.

Sales 3 and 4 were considered to be comparable with respect to location.

Sales 1, 2, and 5 were considered to be inferior as to their locations, an upward adjustment ranging from 5% to 40% was applied to these sales. Sale 1 is located at Herndon and Willow Avenues and is considered to be slightly inferior to the subject; thus, it received just an upward adjustment of 5%.

Land Sales Adjustment Grid

Category/Sale Number:	Subject	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5
Property Location:	NE & NW Corners Kings Canyon Rd & Fowler Ave, Fresno 951,350 SF / Good	SWQ Herndon and Willow, Fresno 205,168 Vacant In Place/All Available Jan-12 Average-Good Corner	SWC Herndon & Coventry, Clovis 169,884 Vacant In Place/All Available Nov-10 Average Interior	NWC Peach and Herndon, Clovis 502,247 Vacant In Place/All Available Feb-09 Average Corner	SW Peach and Kings Canyon, Fresno 473,062 Vacant In Place/All Available Jan-08 Average Interior	SEC Fowler and Shields, Fresno 701,613 Vacant In Place/All Available Jun-08 Fair-Average Corner
Size of Parcel (SF) / Utility:	Vacant	Vacant	Vacant	Vacant	Vacant	Vacant
On-Site Improvements/Utilities:	Partial / All Available	In Place/All Available	In Place/All Available	In Place/All Available	In Place/All Available	In Place/All Available
Zoning/Highest & Best Use:	C-2 / Retail & Office	Average-Good	Average Interior	Average Corner	Average Interior	Fair-Average Corner
Market Appeal:	Good	Good	Good	Good	Good	Good
Parcel Orientation:	Corner / Good	Corner	Interior	Corner	Interior	Corner
SEQUENTIAL ADJUSTMENTS:						
Unadjusted Sale Price:	---	\$1,100,000	\$1,100,000	\$5,775,000	\$4,840,000	\$5,349,332
Unadjusted Sale Price per SF:	---	\$6.48	\$6.48	\$11.50	\$10.23	\$7.62
Property Rights:	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Percentage Adjustment:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financing Terms:	All Cash	All Cash	All Cash	All Cash	All Cash	All Cash
Percentage Adjustment:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Conditions of Sale:	Market	Market	Market	Market	Market	Market
Percentage Adjustment:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Date of Sale:	Nov-2012 Appraisal Date	Nov-10	Nov-10	Feb-09	Jan-08	Jun-08
Percentage Adjustment:	0.0%	0.0%	0.0%	0.0%	-5.0%	-5.0%
Adjusted Price Per SF:		\$12.19	\$6.48	\$11.50	\$9.72	\$7.24
CUMULATIVE ADJUSTMENTS:						
Property Location:	NE & NW Corners Kings Canyon Rd & Fowler Ave, Fresno	inerior 5.0%	inerior 25.0%	comparable 0.0%	comparable 0.0%	inerior 40.0%
Percentage Adjustment:		5.0%	25.0%	0.0%	0.0%	40.0%
Dollar Adjustment:		\$0.61	\$1.62	\$0.00	\$0.00	\$2.90
Size of Parcel (SF) / Utility:	951,350 SF / Good	inerior 10.0%	inerior 10.0%	inerior 15.0%	comparable 0.0%	comparable 0.0%
Percentage Adjustment:		10.0%	10.0%	15.0%	0.0%	0.0%
Dollar Adjustment:		\$1.22	\$0.65	\$1.72	\$0.00	\$0.00
On-Site Improvements:	Vacant	comparable 0.0%	comparable 0.0%	comparable 0.0%	comparable 0.0%	comparable 0.0%
Percentage Adjustment:		0.0%	0.0%	0.0%	0.0%	0.0%
Dollar Adjustment:		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Off-Site Improvements/Utilities:	Partial / All Available	superior -5.0%	superior -5.0%	superior -5.0%	comparable 0.0%	comparable 0.0%
Percentage Adjustment:		-5.0%	-5.0%	-5.0%	0.0%	0.0%
Dollar Adjustment:		-\$0.61	-\$0.32	-\$0.57	\$0.00	\$0.00
Zoning/Highest & Best Use:	C-2 / Retail & Office	comparable 0.0%	inerior 20.0%	comparable 0.0%	comparable 0.0%	comparable 0.0%
Percentage Adjustment:		0.0%	20.0%	0.0%	0.0%	0.0%
Dollar Adjustment:		\$0.00	\$1.30	\$0.00	\$0.00	\$0.00
Market Appeal:	Good	comparable 0.0%	inerior 20.0%	comparable 0.0%	comparable 0.0%	inerior 5.0%
Percentage Adjustment:		0.0%	20.0%	0.0%	0.0%	5.0%
Dollar Adjustment:		\$0.00	\$1.30	\$0.00	\$0.00	\$0.36
Parcel Orientation:	Corner / Good	inerior 15.0%	inerior 15.0%	inerior 10.0%	inerior 25.0%	inerior 25.0%
Percentage Adjustment:		15.0%	15.0%	10.0%	25.0%	25.0%
Dollar Adjustment:		\$1.83	\$0.97	\$1.15	\$2.43	\$1.81
Total Net Adj Before CDF Bonds:		\$3.05	\$5.50	\$2.30	\$2.43	\$5.07
Indicated Subject Unit Price:		\$15.23	\$11.98	\$13.80	\$12.15	\$12.31
Adjustment for CFD Bonds:		-\$1.52	-\$1.20	-\$1.38	-\$1.21	-\$1.23
Net Adjusted Price/SF:		\$13.71	\$10.78	\$12.42	\$10.93	\$11.08

Lowest Price per SF: \$10.78
 Highest Price per SF: \$13.71
 Average Price per SF: \$11.78
Indicated Value/SF: \$12.00

Sales 2 and 5 were substantially inferior as to their locations, thus, the appraiser has made an upward adjustment ranging from 25% to 40%. Sale 5 is situated in an area that has a very weak draw for a shopping center location, thus, it has been given a substantial upward adjustment in comparison to the subject.

Parcel Size/Utility: The subject property contains a total of 951,350 square feet of land area and is considered to have good utility due to its street frontages and its ability to be developed in smaller components.

Sales 1, 2, and 3 were considered to be inferior as to their overall utilities, thus, these parcels were adjusted upwards by 10% to 15%.

Sales 4 and 5 were considered to be comparable to the subject, thus, no adjustments were warranted.

On-Site Improvements: The subject property is vacant land.

All of the sales were considered to be comparable, thus, no adjustments were warranted.

Off-Site Improvements/Utilities: The subject property has all utilities available and partial off-sites are installed.

Sales 1, 2, 3, and 4 were considered to be superior, thus, a downward adjustment of 5% was applied.

Sale 5 was considered to be comparable, therefore, no adjustment was warranted.

Zoning/Highest and Best Use: The subject property is zoned for office and retail uses.

Sales 1, 3, 4, and 5 were considered to be comparable.

Sale 2 is zoned for commercial development, however, because of its location adjacent to a medical office development, the highest and best use is considered to be inferior to the subject; thus, an upward adjustment of 20% was applied.

Market Appeal: The subject property has good market appeal.

Sales 1, 3, and 4 were considered to be comparable, while Sales 2 and 5 were considered to be inferior. Sale 2 is considered to be the most inferior, thus, an adjustment of 20% was applied.

Parcel Orientation: The subject property is considered to have good orientation as several of the parcels have corner outpad locations on Kings Canyon Road, Fowler Avenue, and Fancher Creek Drive.

All of the sales were considered to have inferior parcel orientations to that of the subject, thus, these were adjustments upwards ranging from 10% to 25%. The most inferior were Sales 4 and 5.

Conclusion: After making the various adjustments, the indicated unit price for the subject property ranged from a low of \$11.99 per square foot of land area to a high of \$15.24 per square foot of land area. From this was deducted the estimated impact on adding improvement bonds on the property versus the subject properties that did not have any bond indebtedness. The appraiser has made a downward adjustment of 10% for this factor. Thus, the net adjusted final unit price for the subject property ranged from a low of \$10.79 to a high of \$13.71 per square foot of land area. The midpoint of the range was indicated at \$11.79 per square foot, rounded to \$12.00 per square foot of land area.

Hence, the subject has the following indicated market value:

Subject Property - 951,350 SF @ \$12.00/SF = \$11,416,200
Adjusted to = \$11,420,000

**MARKET VALUE “AS IS”
(Fee Simple Interest)
as of
January 7, 2013
\$11,420,000**

XXVI. EXPOSURE AND MARKETING TIMES:

Market value is the value of a property on the effective date of valuation. It represents the most probable price which the property would bring if it were sold on that date and following a reasonable time of exposure to the open market. Market value is valid only on the date it is made, and there is no guarantee that this is the same value the property will bring at a later time. Economic and market conditions as well as the physical status of the property could change to cause the value of the property to increase or decrease over time. Therefore, to completely understand the context surrounding the value estimate being made in this appraisal, it is important to understand the underlying estimate of both the exposure and marketing times associated with selling the subject property at its appraised value. These two time estimates are defined as follows:

Exposure period is 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.

Marketing period means the amount of time necessary to achieve an open market sale of the property under current market conditions and market trends, assuming normal market exposure and the consummation of a sale consistent with the terms and conditions of the definition of market value. Marketing period is not to be confused with absorption period or holding period.

Each of these time periods will be discussed as follows:

Exposure Time: Based on an analysis of the comparable sales, it is the appraiser's opinion the exposure time for the subject property would be 9 to 12 months.

Hence, the following:

Exposure Time:

“As Is” Market Value as of January 7, 2013 (Fee Simple Interest): 9-12 Months

Marketing Time: Based on current market conditions and a review of several investor surveys and also discussing the subject property with several brokers, it was their opinion that a marketing time for the subject property would be 9 to 12 months.

Hence, the following

Marketing Time:

“As Is” Market Value as of January 7, 2013 (Fee Simple Interest): 9-12 Months

A D D E N D A

Certification Statements

CERTIFICATION STATEMENT

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

- * The statements of fact contained in this report are true and correct.
- * The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- * I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- * I have 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.
- * The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.
- * The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- * The original date of inspection was September 19, 2012 and was considered to be the effective date of value. However, due to a change in the bond payments, the subject properties have been revalued and the new effective date of value is January 7, 2013.
- * As of the date of this report, Peter S. Cooper has completed the requirements of the continuing education program of the Appraisal Institute.
- * I have the knowledge and experience to complete this appraisal assignment and have appraised this property type before. Please see my accompanying qualifications for additional information.
- * **Disclosure of Prior Appraisal and/or Other Services** ~ I CERTIFY THAT, to the best of my knowledge and belief:

Peter S. Cooper, MAI and/or other appraisers associated with Peter S. Cooper Appraisals have not completed an appraisal nor been involved in any property management or property consulting assignments for the subject property within the last three years.

Dated January 7, 2013, at Fresno, California



PETER S. COOPER, MAI
Certified General Real Estate Appraiser
California License AG007287
License Expiration Date: 8/20/14

Readdressing/Reassigning Appraisal Reports

Peter S. Cooper Appraisals Inc. adheres to the requirements of the 2012-2013 Edition of the Uniform Standards of Professional Appraisal Practice (USPAP). This edition is effective January 1, 2012 through December 31, 2013. The following excerpts pertain to readdressing/reassigning appraisal reports:

Advisory Opinion 26, Page A-86:

Once a report has been prepared for a named client(s) and any other identified intended users and for an identified intended use, the appraiser cannot "readdress" (transfer) the report to another party.

Advisory Opinion 27, Page A-88/89:

Situations often arise in which appraisers who have previously appraised a property are asked by a different party to appraise the same property Accepting the assignment from the subsequent prospective client is not prohibited by USPAP, assuming appropriate disclosure is made to the client before being engaged and any existing confidential information is handled properly If there is a new potential client, valuation services performed for that new client would constitute a new assignment and the assignment results would be specific to that new assignment.

Frequently Asked Questions, Page F-56:

It is never permissible to "readdress" a report by simply changing the client's name on a completed report, regardless of whether the first client gave a release. The request from Lender B must be treated as a new assignment.

Qualifications of the Appraiser

QUALIFICATIONS OF PETER S. COOPER, MAI

State Certified General Real Estate Appraiser

CA Cert No. AG007287

EDUCATION:

California State University, Fresno

Bachelor Science Degree in Business Administration & Agriculture

Appraisal Institute

Cap A	Capitalization Theory, University of Oregon
Course 1-A	Basic Principles; Methods of Techniques, Univ. of CA, Los Angeles
Course 1-B	Capitalization Theory & Techniques, University of San Francisco
Course II	Urban Properties, University of San Francisco
Course VI	Investment Analysis, University of San Francisco
Course 300GR	Real Estate Finance Statistics and Valuation Modeling, University of Phoenix
Course 510	Advanced Income Capitalization
Course 530	Advanced Sales Comparable and Cost Approaches
Course 672	Lease Abstracting and Analysis
SPP	Standards of Professional Practice, National University, Sacramento
---	Supporting Capitalization Rates

Peter S. Cooper has completed the requirements of the continuing education program of the Appraisal Institute.

Society of Real Estate Appraisers

Course 201	Principles of Income Property Appraising, Modesto Junior College
Course 301	Special Applications of Real Estate Analysis, Mesa, Arizona

AFFILIATIONS:

Appraisal Institute/Member
Urban Land Institute/Member
American Real Estate Society/Member

EXPERIENCE:

1981-Present:	Independent Real Estate Appraiser (self-employed)
1974-1981:	Independent Real Estate Appraiser with James G. Palmer, MAI
1971-1974:	Real Estate Appraiser for First Interstate Bank
1969-1971:	Trust Real Estate Department, Security Pacific National Bank
1967-1969:	Manager, Property Management Dept., CB Commercial - Fresno Office

EXPERIENCE: (continued)

Mr. Cooper has appraised on a fee basis the following types of properties:

Apartments	Mountain Properties
Office Buildings	Vacant Land
Retail Centers (community, neighborhood, strip)	Agricultural Land
Warehouse and Light Industrial	Planned Unit Developments
Subdivisions	Multi-Parcel Estates
Condemnation/Partial Takings	Special Use Properties

CLIENTS:

Financial Entities: Bank of America, Wells Fargo Bank, Union Bank, Sanwa Bank, Great Western Bank, Sumitomo Bank, Bank of the West, U.S. Bancorp., Mitsui Manufacturers Bank, United Security Bank, Clovis Community Bank, Regency Bank, Bank One of Arizona, and Comerica Bank

Insurance and Mortgage: PPM Finance & Jackson National Life Ins. Co., Column Financial, AEGON, GNA Corp., Safeco Credit Co. Midland Com'l Funding, The Lincoln Financial Group, Industrial-Alliance Pacific Life Insurance Co., Symetra Life Insurance Company or First Symetra National Life Insurance Company of New York, Assurity Life Insurance Company, Emeritus Life Insurance Co., Southern Farm Bureau Life Insurance Co., Protective Life Insurance Co.

Conduit Entities: Metlife Capital, Indianapolis Life, Lafayette Life, Green Park Financial, GMAC Commercial Mortgage, Westmark Realty Advisors

Industries: American Forest Products, Buchmin Industries, Eli Lilly, General Electric, Chevron Land, Dow Chemical Company, Kaiser Industries, Transamerica Corporation, Community Hospitals of Central California, St. Agnes Medical Center

Schools: Districts of Fresno, Kerman, Madera, Central and Clovis

Public: Federal Deposit Insurance Corporation, Resolution Trust Corporation, City and County of Fresno, Cities of Sanger, Reedley, Madera and Clovis

Appraisal: Purchase and sales price, estates, tax purposes, insurance, mortgages, rental analysis and condemnation.

Consulting: Market and feasibility studies for residential and commercial projects

General Area: Counties of Fresno, Kern, Kings, Madera, Merced, Mono, Sacramento, San Joaquin, Stanislaus and Tulare

COURT EXPERIENCE:

Qualified as an expert witness in the Superior Court of Fresno County and the Federal Bankruptcy Court.

STATE OF CALIFORNIA



Business, Transportation & Housing Agency

OFFICE OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Peter S. Cooper

has successfully met the requirements for a license as a general real estate appraiser in the State of California and is, therefore, entitled to use the title "Certified General Real Estate Appraiser".

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

OREA APPRAISER IDENTIFICATION NUMBER AG007287

Date Issued: August 21, 2012

Date Expires: August 20, 2014

Diane Westphal

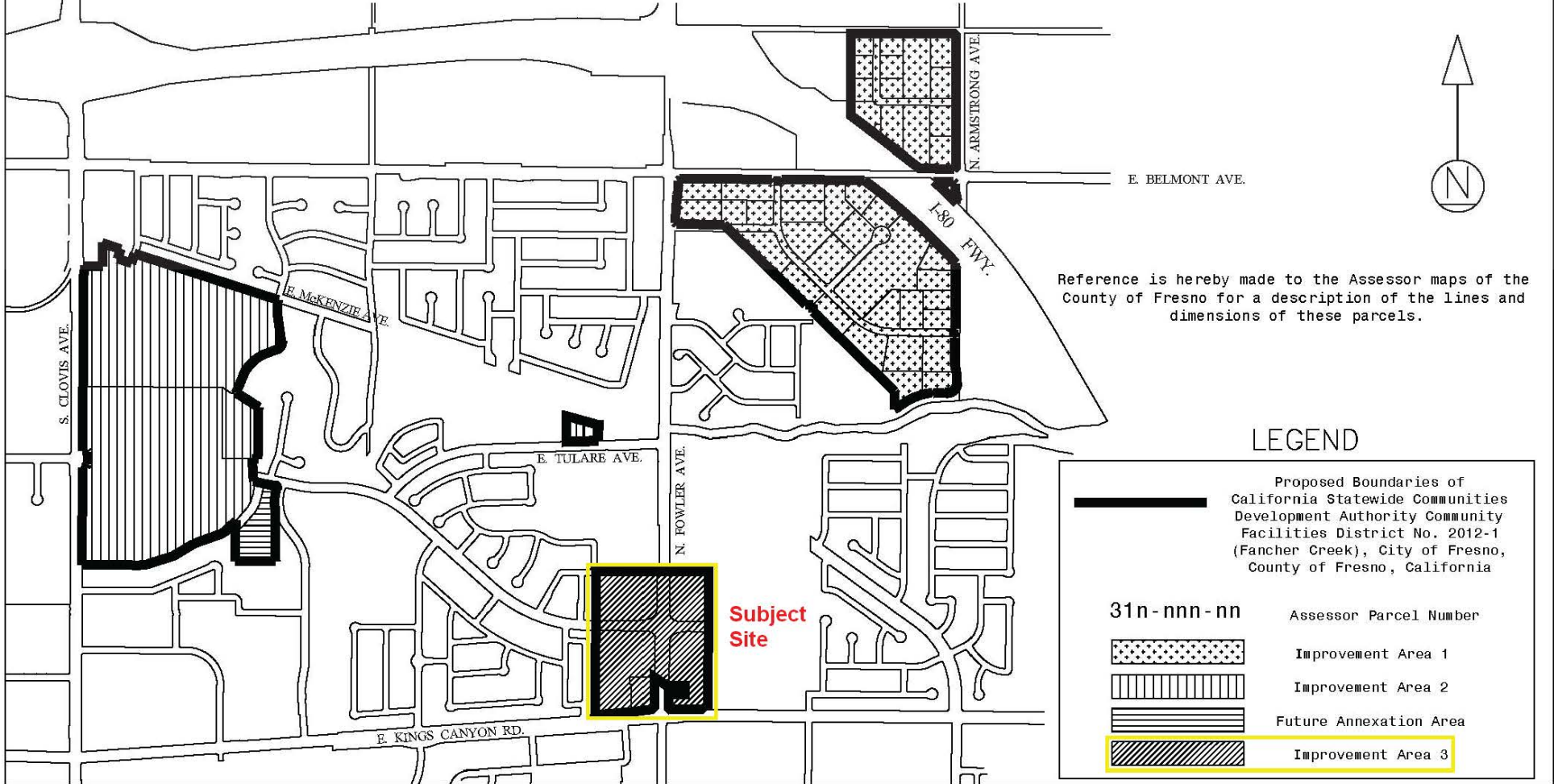
Deputy Director, OREA

Audit No. 140950

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

Map of Proposed Boundaries of Community Facilities District No. 2012-1

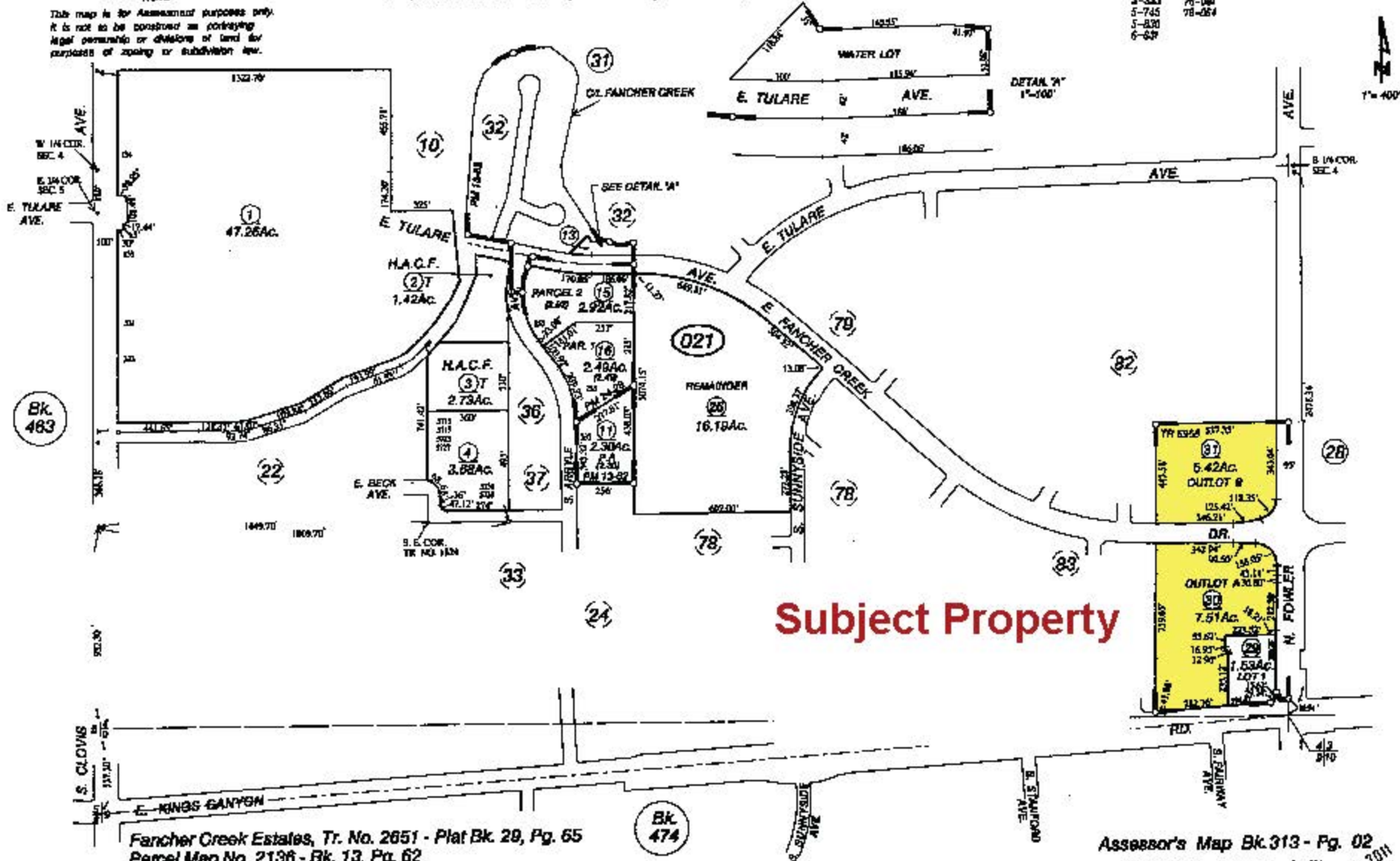
**PROPOSED BOUNDARIES OF
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-1
(Fancher Creek)
CITY OF FRESNO
COUNTY OF FRESNO
STATE OF CALIFORNIA**



Parcel Maps

Tax Rate	Area
5-353	76-08
5-745	78-054
5-838	
6-87	

NOTE
 This map is for Assessment purposes only.
 It is not to be construed as conveying
 legal ownership or divisions of land for
 purposes of zoning or subdivision law.



Subject Property

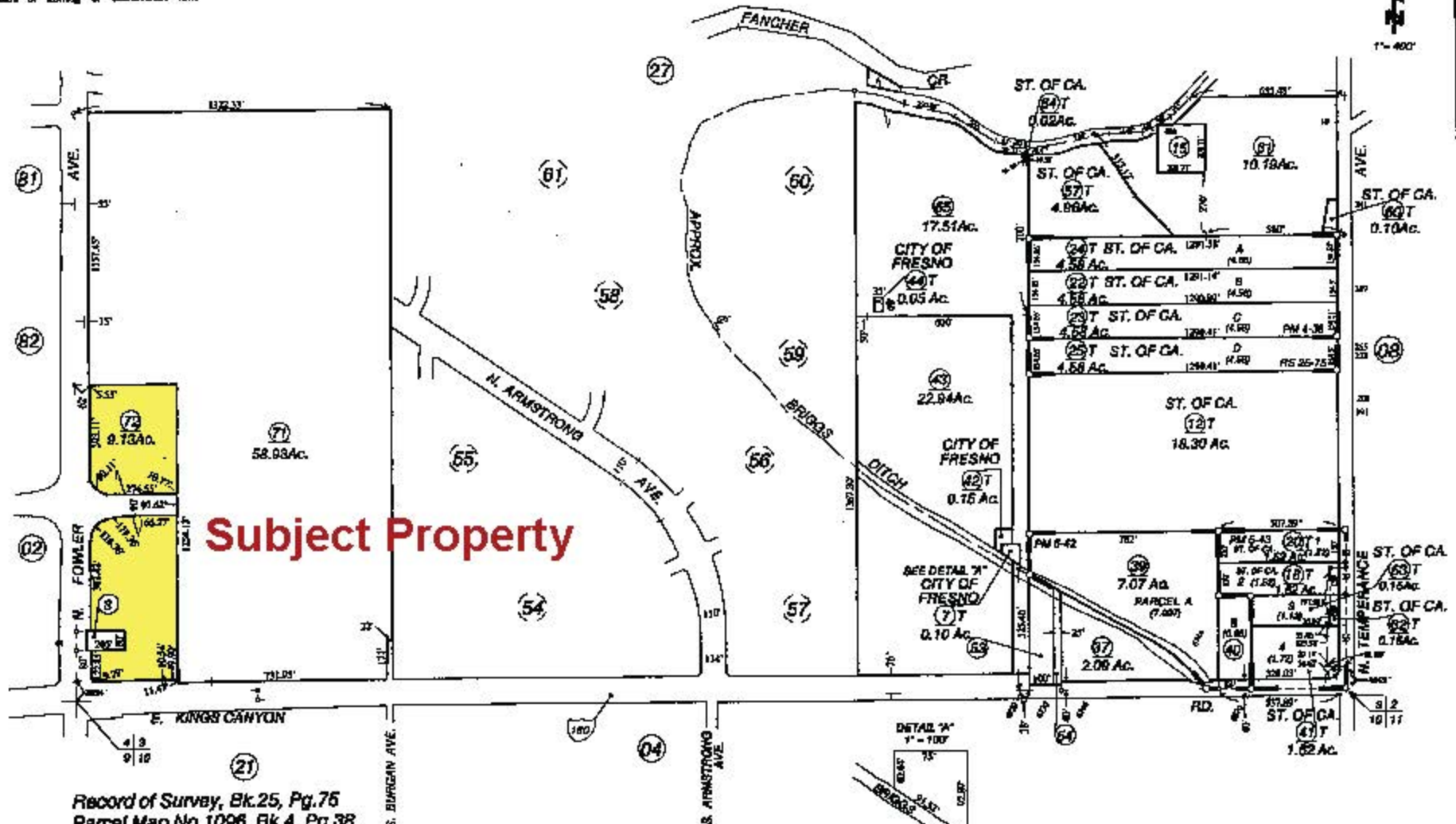
Fancher Creek Estates, Tr. No. 2651 - Plat Bk. 29, Pg. 65
 Parcel Map No. 2136 - Bk. 13, Pg. 62
 Parcel Map No. 3564 - Bk. 24, Pg. 28
 Tract No. 5988 - Plat Bk. 82, Pgs. 12-13

Assessor's Map Bk. 313 - Pg. 02
 County of Fresno, Calif.
 Nov 09 2011

NOTE - Assessor's Block Numbers Shown in Ellipses.
 Assessor's Parcel Numbers Shown in Circles.

--- NOTE ---

This map is for Assessment purposes only.
It is not to be construed as portraying
legal ownership or divisions of land for
purposes of zoning or subdivision law.



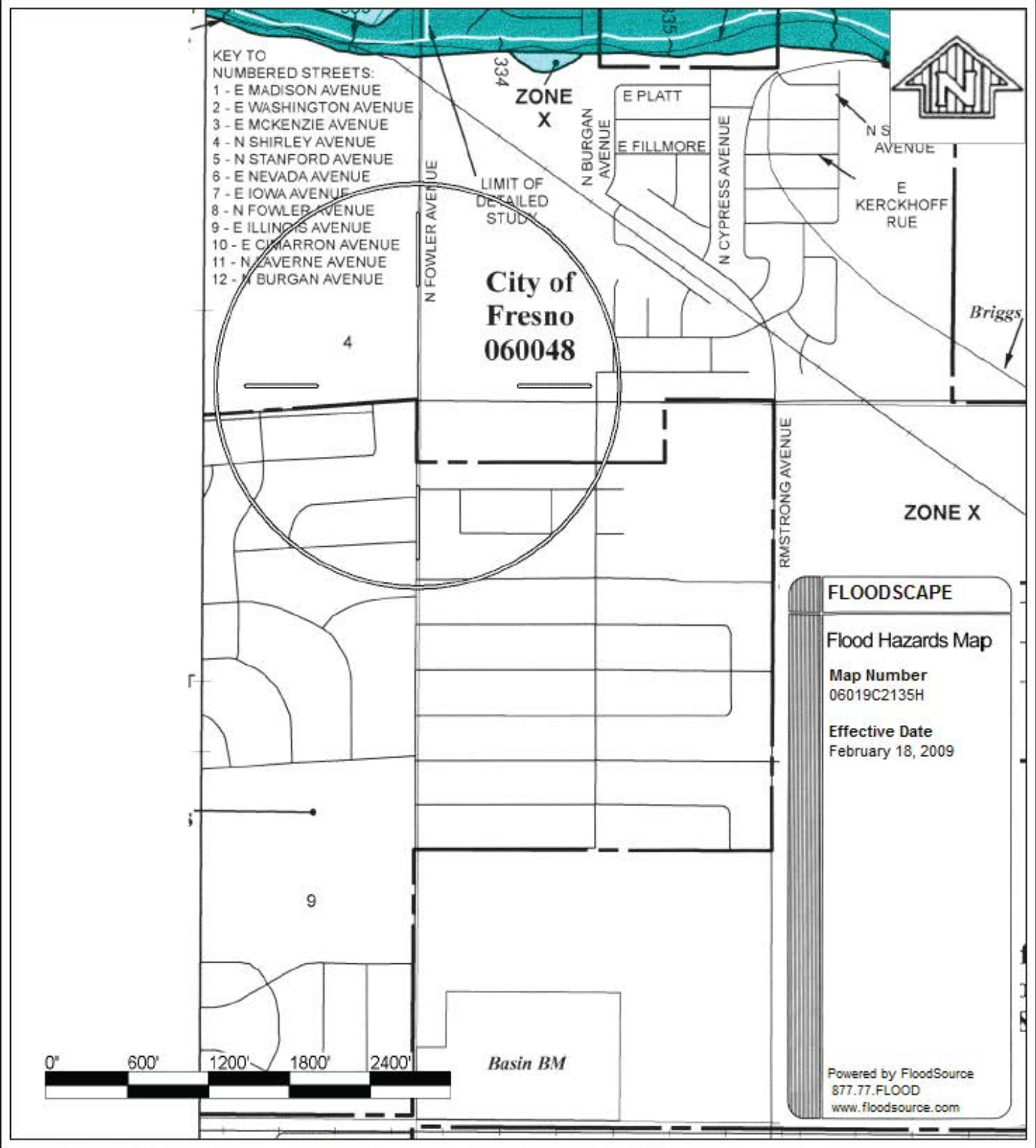
Record of Survey, Bk.25, Pg.75
Parcel Map No.1096, Bk.4, Pg.38
Parcel Map No.1144, Bk.5, Pg.42
Parcel Map No.1146, Bk.5, Pg.43

Assessor's Map Bk.313 - Pg. 28
County of Fresno, Calif.

NOTE - Assessor's Block Numbers Shown in Ellipses.
Assessor's Parcel Numbers Shown in Circles.

NOV 09 2011

Flood Map



Subject Photos

SUBJECT PHOTOGRAPHS



Subject parcel at the northwest corner of Kings Canyon Road and Fowler Avenue.



Subject parcel at the northwest corner of Fowler Avenue and Fancher Creek Drive.



Subject parcel at the northwest corner of Kings Canyon Road and Fowler Avenue.

SUBJECT PHOTOGRAPHS



Parcels located along the east line of Fowler Avenue.



Parcels located along the east line of Fowler Avenue.



Fancher Creek Drive looking west.

SUBJECT PHOTOGRAPHS



Fancher Creek Drive
looking east toward
Fowler Avenue.



Fowler Avenue looking
north.



Fowler Avenue looking
south toward Kings
Canyon Road.

SUBJECT PHOTOGRAPHS



Kings Canyon Road
looking east.



Kings Canyon Road
looking west.



CVS located at the
northwest corner of Kings
Canyon Road and Fowler
Avenue.

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APPENDIX C

RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX

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**RATE AND METHOD OF APPORTIONMENT FOR
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-01
IMPROVEMENT AREA No. 1
FANCHER CREEK BUSINESS PARK**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Improvement Area No. 1 of CSCDA Community Facilities District No. 2012-01 (Fancher Creek Business Park) ("CFD No. 2012-01 (IA No. 1)") and collected each Fiscal Year commencing in Fiscal Year 2012-13, in an amount determined by the Commission, through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 2012-01 (IA No. 1) shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2012-01 (IA No. 1): the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the CSCDA Program Manager or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to CSCDA, CFD No. 2012-01 (IA No. 1), or any designee thereof of complying with arbitrage rebate requirements; the costs to CSCDA, CFD No. 2012-01 (IA No. 1), or any designee thereof of complying with CSCDA, CFD No. 2012-01 (IA No. 1), or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of CSCDA, CFD No. 2012-01 (IA No. 1), or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and CSCDA's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by CSCDA or CFD No. 2012-01 (IA No. 1) for any other administrative purposes of CFD No. 2012-01 (IA No. 1), including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

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

“Assessor’s Parcel Map” means an official map of the County Assessor of the County designating parcels by Assessor’s parcel number.

“Bond Costs” means for (i) any bond issue secured by any Other Improvement Area in CFD No. 2012-01, all debt service payments, administrative expenses, and amounts required to establish or replenish any bond reserve funds, and any other use of Special Taxes for such bond issues required by the indenture, fiscal agent agreement, or other agreement governing the terms of such bond issue.

“Building Permit” means a permit issued by the City or County, as applicable, for the construction of a residential or non-residential building on an Assessor’s Parcel.

“CFD No. 2012-01 (IA No. 1)” means CSCDA Community Facilities District No. 2012-01 (Improvement Area No. 1) which covers Fancher Creek Business Park.

“CFD No. 2012-01 (IA No. 1) Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, authorized by CFD No. 2012-01 (IA No. 1) under the Act and issued by CSCDA.

“City” means the City of Fresno.

“Commission” means the governing board of CSCDA.

“Construction Inflation Index” means the annual positive percentage change in the Engineering News Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CSCDA Program Manager that is reasonably comparable to the Engineering News Record Building Cost Index for the City of Los Angeles.

“County” means the County of Fresno.

“CSCDA” means the California Statewide Communities Development Authority.

“CSCDA Program Manager” means the CFD program manager for CSCDA.

“Developed Property” means, for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued after January 1, 2012 and on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied.

“Final Subdivision” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, approved by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that, in either case, creates individual lots for which building permits may be issued without further subdivision.

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

“Goals and Policies” means the Mello-Roos Community Facilities Act of 1982 Goals and Policies, as adopted by the Commission.

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

“Land Use Class” means any of the classes listed in Table 1 and Exhibit A, below

“Maximum Special Tax” means the Maximum Special Tax, determined in accordance with Section C below, that can be levied by the Commission in any Fiscal Year on any Assessor’s Parcel of Developed Property.

“Non-Residential Building Square Footage” means the total gross building square footage of non-residential property lying within an Assessor’s Parcel for which one or more non-residential building permits have been issued. Such square footage shall be measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building but generally open on at least two sides, as determined by reference to the building permit(s) issued for that Assessor’s Parcel, or if these are not available, as otherwise determined by the CSCDA Program Manager.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit permitting the construction of one or more non-residential units or facilities has been issued by the City or other governmental agency.

“Other Improvement Area” means an improvement area located within CFD No. 2012-01, other than CFD No. 2012-01 (IA No. 1).

“Other Improvement Area Bonds” means all bonds authorized by and secured by the special taxes on the property within Other Improvement Areas in the manner and for the duration set forth in one or more indentures, fiscal agent agreements, or other agreements governing the terms of such bonds.

“Outstanding Bonds” means all CFD No. 2012-01 (IA No. 1) Bonds which remain outstanding under the Indenture.

“Property Owner Association Property” means, for each Fiscal Year, (i) any property within the boundaries of CFD No. 2012-01 (IA No. 1) that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year, (ii) any property located in a Final Subdivision that was recorded as of the May 1 preceding the Fiscal Year in which the Special Tax is being levied and which, as determined from such Final Subdivision, is or will be open space, a common area recreation facility, or a private street, or (iii) any property which, as of the May 1 preceding the Fiscal Year for which the Special Tax is being levied, has been conveyed, irrevocably dedicated, or irrevocably offered to a property owner’s association, including any master or sub-association, provided such conveyance, dedication, or offer is submitted to the CFD Administrator by May 1 preceding the Fiscal Year for which the Special Tax is being levied. The total number of acres to be classified as Property Owner

Association Property or Public Property cannot exceed 17.55 acres, as described in Section F of this RMA.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levy per acre to the Maximum Special Tax per acre is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2012-01 (IA No. 1) that is (i) owned by, irrevocably offered or dedicated to the federal government, the State, the County, the City, or any local government or other public agency, provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) encumbered by a public utility easement making impractical its use for any purpose other than that set forth in the easement. The total number of acres to be classified as Property Owner Association Property or Public Property cannot exceed 17.55 acres, as described in Section F of this RMA.

“Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

“Special Tax” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property to fund the Special Tax Requirement.

“Special Tax Requirement” means that amount required in any Fiscal Year for CFD No. 2012-01 (IA No. 1) to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the CFD No. 2012-01 (IA No. 1) Bonds, including but not limited to, credit enhancement and rebate payments on the CFD No. 2012-01 (IA No. 1) Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for construction of CFD No. 2012-01 (IA No. 1) facilities eligible under the Act to the extent that inclusion of this amount does not increase the levy of the Special Tax beyond the first step in Section E; (vi) pay Bond Costs for Other Improvement Area Bonds to the extent that Special Taxes secure an issue of Other Improvement Area Bonds; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CSCDA Program Manager pursuant to the Indenture.

“State” means the State of California.

“Supplemental Improvement Area” means any Other Improvement Area that has been specifically designated as additional collateral for CFD No. 2012-01 (IA No. 1) Bonds as authorized in the Indenture. The Supplemental Improvement Area shall be retained as additional collateral and security for CFD No. 2012-01 (IA No. 1) Bonds until conditions for the release of the special taxes in the Supplemental Improvement Area, as set forth in the Indenture, are satisfied.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2012-01 (IA No. 1) that is not Public Property or Property Owner Association Property.

“Trustee” means the trustee or fiscal agent under the Indenture.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2012-01 (IA No. 1) shall be classified as Developed Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and E below.

C. MAXIMUM SPECIAL TAX RATE

Prior to sixty (60) days before the issuance of a first series of CFD No. 2012-01 (IA No. 1) Bonds, the Maximum Special Tax on Developed Property and Undeveloped Property (set forth in Sections C.1 and C.2 below) may be reduced in accordance with, and subject to the conditions set forth in this section C without the need for any proceedings to make changes as permitted under the Act. At that time, if it is reasonably determined by the CSCDA Program Manager that the overlapping debt burden calculated pursuant to the Goals and Policies based upon the Maximum Special Tax on Developed Property exceeds the CSCDA’s maximum overlapping debt burden objective set forth in the Goals and Policies, the Maximum Special Tax on Developed Property may be reduced to the amount necessary to equal such maximum overlapping debt burden level by the CSCDA Program Manager without need for any additional Commission proceedings. Similarly, at that time, if it is reasonably determined by the CSCDA Program Manager that the current Maximum Special Tax on Developed Property is greater than required to provide 110% debt service coverage on expected future CFD No. 2012-01 (IA No. 1) Bonds plus Administrative Expenses, the Maximum Special Tax on Developed Property may be reduced the amount necessary to provide 110% debt service coverage on expected future CFD No. 2012-01 (IA No. 1) Bonds plus Administrative Expenses without need for any additional proceedings. Furthermore, if appropriate, the CSCDA Program Manager may reduce the Maximum Special Tax for Undeveloped Property to the minimum amount necessary to allow CFD No. 2012-01 (IA No. 1) to collect the Maximum Special Tax equal to 110% debt service coverage on expected future CFD No. 2012-01(IA No. 1) Bonds plus Administrative Expenses. There is no requirement that the CSCDA Program Manager reduce the Special Taxes for each of the Land Use Classes under this Section C in a proportionate manner if the CSCDA Program Manager determines that a disproportionate reduction of Maximum Special Tax levels among Land Use Classes would be appropriate for purposes of reducing the maximum overlapping debt burden, or would improve the viability of future development within CFD No. 2012-01 (IA No. 1).

The reductions permitted pursuant to the preceding paragraph shall be reflected in an amended notice of Special Tax lien which the CSCDA Program Manager shall cause to be recorded after executing a certificate in substantially the form attached herein as Exhibit A. Additional reductions in the Maximum Special Tax for Developed Property

and the Maximum Special Tax for Undeveloped Property may also be implemented as allowed under Section D below. Notwithstanding the foregoing, under no circumstances may the special taxes be reduced under this Section C during the time that the Special Taxes have been pledged to the payment of Bond Costs for Other Improvement Area Bonds.

1. Developed Property

(a). Maximum Special Tax

The Maximum Special Tax that may be levied and escalated as explained further in Section C.1.(b) below in any Fiscal Year for each Assessor's Parcel classified as Developed Property is shown below in Table 1.

**TABLE 1
Maximum Special Tax for Developed Property
Improvement Area No. 1 of CFD No. 2012-01
Fiscal Year 2012-13**

Land Use Class	Maximum Special Tax
Residential Property	\$ 7,193 per Acre
Non-Residential Property	\$0.48 per square foot of Non-Residential Building Square Footage, or \$7,193 per Acre, when applied, whichever is greater

(b). Increase in the Maximum Special Tax

The Fiscal Year 2012-13 Maximum Special Tax, identified in Table 1 above, as such Table may be amended and restated in full pursuant to this Rate and Method of Apportionment, shall increase on July 1 of each Fiscal Year thereafter, commencing on July 1, 2013, by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

2. Undeveloped Property

(a). Maximum Special Tax

The Fiscal Year 2012-13 Maximum Special Tax for each Assessor's Parcel of Undeveloped Property shall be \$8,340 per acre, and shall increase on July 1 of each Fiscal Year thereafter, commencing on July 1, 2013, by an amount equal to two percent (2%) of the Maximum Special Tax for the previous Fiscal Year.

D. MAXIMUM SPECIAL TAX REDUCTION – AFTER ISSUANCE OF BONDS

The following definitions apply to this Section D:

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year).

“Bond Year” the period starting September 2 and ending on the following September 1.

“Corresponding Bond Year” means, for any Fiscal Year, the Bond Year that commences in such Fiscal Year.

“Debt Service Coverage” means, as of the Determination Date, for any Fiscal Year, the quotient, expressed as a percentage, of (a) the Net Projected Special Tax Revenues for such Fiscal Year, divided by (b) the Annual Debt Service for the Corresponding Bond Year.

“Determination Date” means the first May 1 on which items (a), (b), (c), (d) and (e) in Section D.1 below are determined to be true.

“Net Projected Special Tax Revenues” means, as of the Determination Date, for any Fiscal Year, the remainder of (a) the Projected Special Tax Revenues for such Fiscal Year, minus (b) the Projected Administrative Expenses for such Fiscal Year.

“Projected Administrative Expenses” means, as of the Determination Date, (a) for the Fiscal Year in which such Determination Date occurs, 110% of the average actual Administrative Expenses for the preceding five Fiscal Years, and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Projected Administrative Expenses on each July 1, from and including the July 1 next succeeding such Determination Date to and including the July 1 in such Fiscal Year by 2% of the amount in effect for the previous Fiscal Year.

“Projected Special Tax Revenues” means, as of the Determination Date, for any Fiscal Year, based on the tax classifications for the Fiscal Year commencing on the July 1 next succeeding such Determination Date, the amount of Maximum Special Taxes that may be levied on all Developed Property pursuant to the Act and this Rate and Method of Apportionment in such Fiscal Year taking into account the loss of any Special Taxes from Developed Property that will no longer be taxed pursuant to Section J (Term of Special Tax).

“Reduction Percentage” means, as of the Determination Date, the greatest percentage amount by which the Maximum Special Tax for Developed Property could be reduced that would not cause the Debt Service Coverage in any Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the

Outstanding Bonds to be less than 110%. If the Debt Service Coverage is less than 110% the Reduction Percentage shall equal 0%.

1. Determination of Reduction

On the first May 1 following the date that (i) all authorized Bonds have been issued or the Commission has adopted a resolution determining that CFD No. 2012-01 (IA No. 1) will not issue any additional Bonds (except refunding Bonds in accordance with the Act) and (ii) the Commission has adopted a resolution determining that the Special Tax will no longer be levied to pay directly for the acquisition or construction of eligible improvements, the CSCDA Program Manager shall determine if all of the following are true:

- (a) The balance in the reserve fund established under the Indenture is at or above the reserve requirement;
- (b) CFD No. 2012-01 (IA No. 1) is not in default in the payment of interest on and principal of all Outstanding Bonds;
- (c) Debt Service Coverage for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds is at least equal to 110%; and
- (d) The delinquency rate as of June 30 of the prior Fiscal Year for Special Taxes levied for each prior Fiscal Year did not exceed ten percent (10%) of the amount levied for such Fiscal Year.
- (e) Project Special Tax Revenues are not pledged to the payment of Bond Costs for Other Improvement Areas.

If all five of the above items are true, then the Maximum Tax for all parcels of Developed Property shall be reduced by the amount, if any, determined in Section D.2.

If any one of the five items is not true as of the first May 1 following the date that all authorized Bonds have been issued or the Commission has adopted a resolution determining that CFD No. 2012-01 (IA No. 1) will not issue any additional Bonds (except refunding Bonds in accordance with the Act), then the CSCDA Program Manager shall continue to make such determination each following May 1, until all of the tests are met.

The first May 1 on which all five items are true shall be considered the Determination Date.

2. Calculation of Reduction

The Special Tax reduction shall be calculated by the CSCDA Program Manager as follows:

- (a) Determine the Projected Special Tax Revenues for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal

- Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds;
- (b) Determine the Projected Administrative Expenses for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds;
 - (c) Determine the Debt Service Coverage for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds;
 - (d) Determine the Reduction Percentage.

The Maximum Special Tax for Developed Property for the Fiscal Year commencing on the July 1 following the Determination Date shall be reduced from the amount that otherwise would have been in effect pursuant to this Rate and Method of Apportionment by a percentage amount equal to the Reduction Percentage.

3. Certificate of CSCDA Program Manager

Upon completion of the tests identified in Section D.1 and the calculations in Section D.2, the CSCDA Program Manager shall prepare a Certificate of CSCDA Program Manager in substantially the form attached herein as Exhibit A, that sets forth the results of such tests and the resulting reduced Special Tax rates.

4. Recordation of Revised Notice

Upon receipt of a Certificate of CSCDA Program Manager, an addendum to the Notice of Special Tax Lien shall be recorded. Such addendum shall clearly set forth the revised Special Tax rates.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2012-13 and for each following Fiscal Year, the CSCDA Program Manager shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of Special Taxes equal the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property until the amount levied on Undeveloped Property is equal to the lesser of (i) the Special Tax Requirement less the amount levied pursuant to the first step above, or (ii) 100% of the Maximum Special Tax for Undeveloped Property.

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then if required to satisfy the Indenture, a special tax shall be levied on each Assessor's Parcel of taxable property located within the Supplemental Improvement Areas pledged to CFD No. 2012-01 (IA No. 1) Bonds, based on the rate and method of apportionment of special taxes for these Supplemental Improvement Areas.

Notwithstanding the above, the CSCDA Program Manager or its designee may, in any Fiscal Year, levy Proportionately less than 100% of the Maximum Special Tax in the first step (above), when (i) the Commission or its designee is no longer required to levy the Special Tax pursuant to the second and third steps (above) in order to meet the Special Tax Requirement; and (ii) all authorized CFD No. 2012-01 (IA No. 1) Bonds have already been issued or the Commission has covenanted that it will not issue any additional CFD No. 2012-01 (IA No. 1) Bonds (except refunding bonds) to be supported by the Special Tax.

F. EXEMPTIONS

No Special Tax shall be levied on up to 17.55 acres of Public Property or Property Owner Association Property in CFD No. 2012-01 (IA No. 1). Tax-exempt status will be assigned by the CSCDA Program Manager in the chronological order in which property in CFD No. 2012-01 (IA No. 1) becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel no longer be classified as Public Property or Property Owner Association Property, it will, from that point forward, be subject to the Special Tax.

Prior to sixty (60) days before the issuance of a first series of CFD No. 2012-01 (IA No. 1) Bonds, the CSCDA Program Manager may increase the final number of tax-exempt acres of Public Property or Property Owner Association Property in CFD No. 2012-01 (IA No. 1) to better reflect the actual tax-exempt acreage within CFD No. 2012-01 (IA No. 1).

G. REVIEW/APPEAL PROCESS

Any taxpayer may file a written appeal of the Special Tax on his/her property with CSCDA, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CSCDA Program Manager or its designee shall review the appeal, meet with the appellant if the CSCDA Program Manager deems necessary, and advise the appellant of its determination within sixty (60) days after receipt of the appeal. If the CSCDA Program Manager agrees with the appellant, the CSCDA Program Manager shall make a recommendation to the Commission to eliminate or reduce the Special Tax on the appellant's property or to provide a refund to appellant. The approval of the Commission or its designee must be obtained prior to any such elimination or reduction. If the CSCDA Program Manager disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has thirty (30) days in which to appeal to the Commission by filing a written notice of appeal with the Secretary of the Commission, provided that the appellant is current in his/her payments of the Special Taxes. The second appeal must

specify the reasons for the appellant's disagreement with the CSCDA Program Manager's determination. The Secretary of the Commission shall schedule the appeal to be heard before the Commission within sixty (60) days after receipt of the second appeal.

Interpretations may be made by the Commission by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment.

H. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2012-01 (IA No. 1) may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

I. PREPAYMENT OF SPECIAL TAX

Under this Rate and Method of Apportionment, an Assessor's Parcel within CFD No. 2012-01 (IA No. 1) is permitted to prepay the Special Tax. The obligation of the Assessor's Parcel to pay the Special Tax may be fully or partially prepaid and permanently satisfied as described herein, provided that a prepayment may be made only for Assessor's Parcels of Developed Property, or Assessor's Parcels of Undeveloped Property for which a building permit has been issued, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment.

An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CSCDA Program Manager with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the CSCDA Program Manager shall notify such owner of the prepayment amount of such Assessor's Parcel. The CSCDA Program Manager may charge a reasonable fee for providing this service. If there are Outstanding Bonds, Prepayment must be made not less than forty-five (45) days prior to the next occurring date that notice of redemption of CFD No. 2012-01 (IA No. 1) Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The following definition applies to this Section I:

"Buildout" means, for CFD No. 2012-01 (IA No. 1), that all expected building permits for non-residential development to be constructed in CFD No. 2012-01 (IA No. 1) have been issued, as reasonably determined by the CSCDA Program Manager.

"CFD Public Facilities" means either \$6,495,000 in 2012 dollars, or (ii) shall be determined by the Commission concurrently with a covenant that it will not issue any more CFD No. 2012-01 (IA No. 1) Bonds (other than refunding CFD No. 2012-01 (IA No. 1) Bonds) to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section E.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

“Future Facilities Costs” means the CFD Public Facilities minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

“Outstanding Bonds” means all Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

1. Prepayment in Full – After Issuance of Bonds

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	<u>Capitalized Interest Credit</u>
Total: equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. For Assessor’s Parcels of Developed Property, compute the Maximum Special Tax for the Assessor’s Parcel to be prepaid. For Assessor’s Parcels of Undeveloped Property for which a building permit has been issued, compute the Maximum Special Tax for that Assessor’s Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for such Assessor’s Parcel.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Taxes for the entire CFD No. 2012-01 (IA No. 1) based on the Developed Property Maximum Special Taxes which could be charged in the current Fiscal Year on all expected development through Buildout of CFD No. 2012-01 (IA No. 1), excluding any Assessor’s Parcels which have been prepaid, and
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the “Bond Redemption Amount”).

5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the “Redemption Premium”).
6. Compute the current Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the “Future Facilities Amount”).
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Taxes levied on the Assessor’s Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the amount the CSCDA Program Manager reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the “Defeasance Amount”).
12. Verify the administrative fees and expenses of CFD No. 2012-01 (IA No. 1), including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2012-01 (IA No. 1) Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the “Administrative Fees and Expenses”).
13. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “Reserve Fund Credit”). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.
14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the “Capitalized Interest Credit”).
15. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the “Prepayment Amount”).

16. The Prepayment Amount (less the amount computed pursuant to paragraph 12) shall be deposited into the appropriate fund and applied as set forth in the Indenture. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2012-01 (IA No. 1).

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of CFD No. 2012-01 (IA No. 1) Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CSCDA Program Manager shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the Commission shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on expected Taxable Property at buildout of CFD No. 2012-01 (IA No. 1) both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The amount of the prepayment shall be calculated as in Section I.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (PE - A) \times F + A.$$

These terms have the following meaning:

- PP = the partial prepayment
- PE = the Prepayment Amount calculated according to Section I.1
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.
- A = the Administration Fees and Expenses from Section I.1.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CSCDA Program Manager of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid.

With respect to any Assessor's Parcel that is partially prepaid, the Commission shall (i) distribute the funds remitted to it according to Section I.1, and (ii) indicate in the records of CFD No. 2012-01 (IA No. 1) that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum

Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section E.

J. TERM OF SPECIAL TAX

The Special Tax shall be levied upon an Assessor's Parcel of Developed Property for a maximum of 40 years, provided however that Special Taxes will cease to be levied in an earlier Fiscal Year if the CSCDA Program Manager has determined that all required interest and principal payments on the CFD No. 2012-01 (IA No. 1) Bonds have been paid and the Commission has covenanted that it will not issue any more Bonds (other than refunding Bonds) to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section E.

[http://localhost/resources/Clients/CSCDA/Fancher Creek CFD/Rate and Method/RMA for Final ROI/CSCDA CFD No. 2012-01 RMA\(IA1\) - Final.doc](http://localhost/resources/Clients/CSCDA/Fancher Creek CFD/Rate and Method/RMA for Final ROI/CSCDA CFD No. 2012-01 RMA(IA1) - Final.doc)

EXHIBIT A

CERTIFICATE TO AMEND SPECIAL TAX

CSCDA CFD No. 2012-01 (IA No. 1) TAX REDUCTION CERTIFICATE

1. Pursuant to Sections C and D of the Rate and Method of Apportionment, the California Statewide Communities Development Authority (“CSCDA”) hereby reduces the Maximum Special Tax for Developed Property and Undeveloped Property within CFD No. 2012-01 (IA No. 1).
 - (a) The information in Table 1 relating to the Fiscal Year 2012-13 Maximum Special Tax for Developed Property within CFD No. 2012-01 (IA No. 1) shall be modified to be the following:

Land Use Class	Maximum Special Tax
Residential Property	\$ [.....] per dwelling unit
Non-Residential Property	\$[.....] per square foot of Non-Residential Building Square Footage, or \$[.....] per Acre, when applied, whichever is greater

- (b) The Fiscal Year 2012-13 Maximum Special Tax for each Assessor’s Parcel of Undeveloped Property shall be \$[_____] per acre.
2. The CSCDA Program Manager shall cause an amended notice of Special Tax lien for CFD No. 2012-01 (IA No. 1) to be recorded reflecting the modifications set forth herein.

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

By: _____

Date: _____

**RATE AND METHOD OF APPORTIONMENT FOR
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-01
IMPROVEMENT AREA No. 3
VILLAGE CENTER**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Improvement Area No. 3 of CSCDA Community Facilities District No. 2012-01 (Fancher Creek) ("CFD No. 2012-01 (IA No. 3)") and collected each Fiscal Year commencing in Fiscal Year 2012-13, in an amount determined by the Commission, through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 2012-01 (IA No. 3) shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2012-01 (IA No. 3): the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the CSCDA Program Manager or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to CSCDA, CFD No. 2012-01 (IA No. 3), or any designee thereof of complying with arbitrage rebate requirements; the costs to CSCDA, CFD No. 2012-01 (IA No. 3), or any designee thereof of complying with CSCDA, CFD No. 2012-01 (IA No. 3), or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of CSCDA, CFD No. 2012-01 (IA No. 3), or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and CSCDA's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by CSCDA or CFD No. 2012-01 (IA No. 3) for any other administrative purposes of CFD No. 2012-01 (IA No. 3), including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

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

“Assessor’s Parcel Map” means an official map of the County Assessor of the County designating parcels by Assessor’s parcel number.

“Bond Costs” means for (i) any bond issue secured by any Other Improvement Area in CFD No. 2012-01, all debt service payments, administrative expenses, and amounts required to establish or replenish any bond reserve funds, and any other use of Special Taxes for such bond issues required by the indenture, fiscal agent agreement, or other agreement governing the terms of such bond issue.

“Building Permit” means a permit issued by the City or County, as applicable, for the construction of a residential or non-residential building on an Assessor’s Parcel.

“CFD No. 2012-01 (IA No. 3)” means CSCDA Community Facilities District No. 2012-01 (Improvement Area No. 3) which covers the Village Center project.

“CFD No. 2012-01 (IA No. 3) Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, authorized by CFD No. 2012-01 (IA No. 3) under the Act and issued by CSCDA.

“City” means the City of Fresno.

“Commission” means the governing board of CSCDA.

“Construction Inflation Index” means the annual positive percentage change in the Engineering News Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CSCDA Program Manager that is reasonably comparable to the Engineering News Record Building Cost Index for the City of Los Angeles.

“County” means the County of Fresno.

“CSCDA” means the California Statewide Communities Development Authority.

“CSCDA Program Manager” means the CFD program manager for CSCDA.

“Developed Property” means, for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued after January 1, 2012 and on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied.

“Final Subdivision” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, approved by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that, in either case, creates individual lots for which building permits may be issued without further subdivision.

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

“Goals and Policies” means the Mello-Roos Community Facilities Act of 1982 Goals and Policies, as adopted by the Commission.

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

“Land Use Class” means any of the classes listed in Table 1 and Exhibit A, below

“Maximum Special Tax” means the Maximum Special Tax, determined in accordance with Section C below, that can be levied by the Commission in any Fiscal Year on any Assessor’s Parcel of Developed Property.

“Non-Residential Building Square Footage” means the total gross building square footage of non-residential property lying within an Assessor’s Parcel for which one or more non-residential building permits have been issued. Such square footage shall be measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building but generally open on at least two sides, as determined by reference to the building permit(s) issued for that Assessor’s Parcel, or if these are not available, as otherwise determined by the CSCDA Program Manager.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit permitting the construction of one or more non-residential units or facilities has been issued by the City or other governmental agency.

“Other Improvement Area” means an improvement area located within CFD No. 2012-01, other than CFD No. 2012-01 (IA No. 3).

“Other Improvement Area Bonds” means all bonds authorized by and secured by the special taxes on the property within Other Improvement Areas in the manner and for the duration set forth in one or more indentures, fiscal agent agreements, or other agreements governing the terms of such bonds.

“Outstanding Bonds” means all CFD No. 2012-01 (IA No. 3) Bonds which remain outstanding under the Indenture.

“Property Owner Association Property” means, for each Fiscal Year, (i) any property within the boundaries of CFD No. 2012-01 (IA No. 3) that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year, (ii) any property located in a Final Subdivision that was recorded as of the May 1 preceding the Fiscal Year in which the Special Tax is being levied and which, as determined from such Final Subdivision, is or will be open space, a common area recreation facility, or a private street, or (iii) any property which, as of the May 1 preceding the Fiscal Year for which the Special Tax is being levied, has been conveyed, irrevocably dedicated, or irrevocably offered to a property owner’s association, including any master or sub-association, provided such conveyance, dedication, or offer is submitted to the CFD Administrator by May 1 preceding the Fiscal Year for which the Special Tax is being levied. The total number of acres to be classified as Property Owner

Association Property or Public Property cannot exceed 6.82 acres, as described in Section F of this RMA.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levy per acre to the Maximum Special Tax per acre is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2012-01 (IA No. 3) that is (i) owned by, irrevocably offered or dedicated to the federal government, the State, the County, the City, or any local government or other public agency, provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) encumbered by a public utility easement making impractical its use for any purpose other than that set forth in the easement. The total number of acres to be classified as Property Owner Association Property or Public Property cannot exceed 6.82 acres, as described in Section F of this RMA.

“Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

“Special Tax” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property to fund the Special Tax Requirement.

“Special Tax Requirement” means that amount required in any Fiscal Year for CFD No. 2012-01 (IA No. 3) to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the CFD No. 2012-01 (IA No. 3) Bonds, including but not limited to, credit enhancement and rebate payments on the CFD No. 2012-01 (IA No. 3) Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for construction of CFD No. 2012-01 (IA No. 3) facilities eligible under the Act to the extent that inclusion of this amount does not increase the levy of the Special Tax beyond the first step in Section E; (vi) pay Bond Costs for Other Improvement Area Bonds to the extent that Special Taxes secure an issue of Other Improvement Area Bonds; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CSCDA Program Manager pursuant to the Indenture.

“State” means the State of California.

“Supplemental Improvement Area” means any Other Improvement Area that has been specifically designated as additional collateral for CFD No. 2012-01 (IA No. 3) Bonds as authorized in the Indenture. The Supplemental Improvement Area shall be retained as additional collateral and security for CFD No. 2012-01 (IA No. 3) Bonds until conditions for the release of the special taxes in the Supplemental Improvement Area, as set forth in the Indenture, are satisfied.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2012-01 (IA No. 3) that is not Public Property or Property Owner Association Property.

“Trustee” means the trustee or fiscal agent under the Indenture.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2012-01 (IA No. 3) shall be classified as Developed Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and E below.

C. MAXIMUM SPECIAL TAX RATE

Prior to sixty (60) days before the issuance of a first series of CFD No. 2012-01 (IA No. 3) Bonds, the Maximum Special Tax on Developed Property and Undeveloped Property (set forth in Sections C.1 and C.2 below) may be reduced in accordance with, and subject to the conditions set forth in this section C without the need for any proceedings to make changes as permitted under the Act. At that time, if it is reasonably determined by the CSCDA Program Manager that the overlapping debt burden calculated pursuant to the Goals and Policies based upon the Maximum Special Tax on Developed Property exceeds the CSCDA’s maximum overlapping debt burden objective set forth in the Goals and Policies, the Maximum Special Tax on Developed Property may be reduced to the amount necessary to equal such maximum overlapping debt burden level by the CSCDA Program Manager without need for any additional Commission proceedings. Similarly, at that time, if it is reasonably determined by the CSCDA Program Manager that the current Maximum Special Tax on Developed Property is greater than required to provide 110% debt service coverage on expected future CFD No. 2012-01 (IA No. 3) Bonds plus Administrative Expenses, the Maximum Special Tax on Developed Property may be reduced the amount necessary to provide 110% debt service coverage on expected future CFD No. 2012-01 (IA No. 3) Bonds plus Administrative Expenses without need for any additional proceedings. Furthermore, if appropriate, the CSCDA Program Manager may reduce the Maximum Special Tax for Undeveloped Property to the minimum amount necessary to allow CFD No. 2012-01 (IA No. 3) to collect the Maximum Special Tax equal to 110% debt service coverage on expected future CFD No. 2012-01(IA No. 3) Bonds plus Administrative Expenses. There is no requirement that the CSCDA Program Manager reduce the Special Taxes for each of the Land Use Classes under this Section C in a proportionate manner if the CSCDA Program Manager determines that a disproportionate reduction of Maximum Special Tax levels among Land Use Classes would be appropriate for purposes of reducing the maximum overlapping debt burden, or would improve the viability of future development within CFD No. 2012-01 (IA No. 3).

The reductions permitted pursuant to the preceding paragraph shall be reflected in an amended notice of Special Tax lien which the CSCDA Program Manager shall cause to be recorded after executing a certificate in substantially the form attached herein as Exhibit A. Additional reductions in the Maximum Special Tax for Developed Property

and the Maximum Special Tax for Undeveloped Property may also be implemented as allowed under Section D below. Notwithstanding the foregoing, under no circumstances may the special taxes be reduced under this Section C during the time that the Special Taxes have been pledged to the payment of Bond Costs for Other Improvement Area Bonds.

1. Developed Property

(a). Maximum Special Tax

The Maximum Special Tax that may be levied and escalated as explained further in Section C.1.(b) below in any Fiscal Year for each Assessor's Parcel classified as Developed Property is shown below in Table 1.

TABLE 1
Maximum Special Tax for Developed Property
Improvement Area No. 3 of CFD No. 2012-01
Fiscal Year 2012-13

Land Use Class	Maximum Special Tax
Residential Property	\$ 4,530 per Acre
Non-Residential Property	\$0.33 per square foot of Non-Residential Building Square Footage, or \$4,530 per Acre, when applied, whichever is greater

(b). Increase in the Maximum Special Tax

The Fiscal Year 2012-13 Maximum Special Tax, identified in Table 1 above, as such Table may be amended and restated in full pursuant to this Rate and Method of Apportionment, shall increase on July 1 of each Fiscal Year thereafter, commencing on July 1, 2013, by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

2. Undeveloped Property

(a). Maximum Special Tax

The Fiscal Year 2012-13 Maximum Special Tax for each Assessor's Parcel of Undeveloped Property shall be \$5,148 per acre, and shall increase on July 1 of each Fiscal Year thereafter, commencing on July 1, 2013, by an amount equal to two percent (2%) of the Maximum Special Tax for the previous Fiscal Year.

D. MAXIMUM SPECIAL TAX REDUCTION – AFTER ISSUANCE OF BONDS

The following definitions apply to this Section D:

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year).

“Bond Year” the period starting September 2 and ending on the following September 1.

“Corresponding Bond Year” means, for any Fiscal Year, the Bond Year that commences in such Fiscal Year.

“Debt Service Coverage” means, as of the Determination Date, for any Fiscal Year, the quotient, expressed as a percentage, of (a) the Net Projected Special Tax Revenues for such Fiscal Year, divided by (b) the Annual Debt Service for the Corresponding Bond Year.

“Determination Date” means the first May 1 on which items (a), (b), (c), (d) and (e) in Section D.1 below are determined to be true.

“Net Projected Special Tax Revenues” means, as of the Determination Date, for any Fiscal Year, the remainder of (a) the Projected Special Tax Revenues for such Fiscal Year, minus (b) the Projected Administrative Expenses for such Fiscal Year.

“Projected Administrative Expenses” means, as of the Determination Date, (a) for the Fiscal Year in which such Determination Date occurs, 110% of the average actual Administrative Expenses for the preceding five Fiscal Years, and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Projected Administrative Expenses on each July 1, from and including the July 1 next succeeding such Determination Date to and including the July 1 in such Fiscal Year by 2% of the amount in effect for the previous Fiscal Year.

“Projected Special Tax Revenues” means, as of the Determination Date, for any Fiscal Year, based on the tax classifications for the Fiscal Year commencing on the July 1 next succeeding such Determination Date, the amount of Maximum Special Taxes that may be levied on all Developed Property pursuant to the Act and this Rate and Method of Apportionment in such Fiscal Year taking into account the loss of any Special Taxes from Developed Property that will no longer be taxed pursuant to Section J (Term of Special Tax).

“Reduction Percentage” means, as of the Determination Date, the greatest percentage amount by which the Maximum Special Tax for Developed Property could be reduced that would not cause the Debt Service Coverage in any Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the

Outstanding Bonds to be less than 110%. If the Debt Service Coverage is less than 110% the Reduction Percentage shall equal 0%.

1. Determination of Reduction

On the first May 1 following the date that (i) all authorized Bonds have been issued or the Commission has adopted a resolution determining that CFD No. 2012-01 (IA No. 3) will not issue any additional Bonds (except refunding Bonds in accordance with the Act) and (ii) the Commission has adopted a resolution determining that the Special Tax will no longer be levied to pay directly for the acquisition or construction of eligible improvements, the CSCDA Program Manager shall determine if all of the following are true:

- (a) The balance in the reserve fund established under the Indenture is at or above the reserve requirement;
- (b) CFD No. 2012-01 (IA No. 3) is not in default in the payment of interest on and principal of all Outstanding Bonds;
- (c) Debt Service Coverage for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds is at least equal to 110%; and
- (d) The delinquency rate as of June 30 of the prior Fiscal Year for Special Taxes levied for each prior Fiscal Year did not exceed ten percent (10%) of the amount levied for such Fiscal Year.
- (e) Project Special Tax Revenues are not pledged to the payment of Bond Costs for Other Improvement Areas.

If all five of the above items are true, then the Maximum Tax for all parcels of Developed Property shall be reduced by the amount, if any, determined in Section D.2.

If any one of the five items is not true as of the first May 1 following the date that all authorized Bonds have been issued or the Commission has adopted a resolution determining that CFD No. 2012-01 (IA No. 3) will not issue any additional Bonds (except refunding Bonds in accordance with the Act), then the CSCDA Program Manager shall continue to make such determination each following May 1, until all of the tests are met.

The first May 1 on which all five items are true shall be considered the Determination Date.

2. Calculation of Reduction

The Special Tax reduction shall be calculated by the CSCDA Program Manager as follows:

- (a) Determine the Projected Special Tax Revenues for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal

- Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds;
- (b) Determine the Projected Administrative Expenses for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds;
 - (c) Determine the Debt Service Coverage for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds;
 - (d) Determine the Reduction Percentage.

The Maximum Special Tax for Developed Property for the Fiscal Year commencing on the July 1 following the Determination Date shall be reduced from the amount that otherwise would have been in effect pursuant to this Rate and Method of Apportionment by a percentage amount equal to the Reduction Percentage.

3. Certificate of CSCDA Program Manager

Upon completion of the tests identified in Section D.1 and the calculations in Section D.2, the CSCDA Program Manager shall prepare a Certificate of CSCDA Program Manager in substantially the form attached herein as Exhibit A, that sets forth the results of such tests and the resulting reduced Special Tax rates.

4. Recordation of Revised Notice

Upon receipt of a Certificate of CSCDA Program Manager, an addendum to the Notice of Special Tax Lien shall be recorded. Such addendum shall clearly set forth the revised Special Tax rates.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2012-13 and for each following Fiscal Year, the CSCDA Program Manager shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of Special Taxes equal the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property until the amount levied on Undeveloped Property is equal to the lesser of (i) the Special Tax Requirement less the amount levied pursuant to the first step above, or (ii) 100% of the Maximum Special Tax for Undeveloped Property.

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then if required to satisfy the Indenture, a special tax shall be levied on each Assessor's Parcel of taxable property located within the Supplemental Improvement Areas pledged to CFD No. 2012-01 (IA No. 3) Bonds, based on the rate and method of apportionment of special taxes for these Supplemental Improvement Areas.

Notwithstanding the above, the CSCDA Program Manager or its designee may, in any Fiscal Year, levy Proportionately less than 100% of the Maximum Special Tax in the first step (above), when (i) the Commission or its designee is no longer required to levy the Special Tax pursuant to the second and third steps (above) in order to meet the Special Tax Requirement; and (ii) all authorized CFD No. 2012-01 (IA No. 3) Bonds have already been issued or the Commission has covenanted that it will not issue any additional CFD No. 2012-01 (IA No. 3) Bonds (except refunding bonds) to be supported by the Special Tax.

F. EXEMPTIONS

No Special Tax shall be levied on up to 6.82 acres of Public Property or Property Owner Association Property in CFD No. 2012-01 (IA No. 3). In addition to these 6.82 acres, all of Assessor's Parcel Number 313-021-29 shall be exempted from the Special Tax. Tax-exempt status will be assigned by the CSCDA Program Manager in the chronological order in which property in CFD No. 2012-01 (IA No. 3) becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel no longer be classified as Public Property or Property Owner Association Property, it will, from that point forward, be subject to the Special Tax.

Prior to sixty (60) days before the issuance of a first series of CFD No. 2012-01 (IA No. 3) Bonds, the CSCDA Program Manager may increase the final number of tax-exempt acres of Public Property or Property Owner Association Property in CFD No. 2012-01 (IA No. 3) to better reflect the actual tax-exempt acreage within CFD No. 2012-01 (IA No. 3).

G. REVIEW/APPEAL PROCESS

Any taxpayer may file a written appeal of the Special Tax on his/her property with CSCDA, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CSCDA Program Manager or its designee shall review the appeal, meet with the appellant if the CSCDA Program Manager deems necessary, and advise the appellant of its determination within sixty (60) days after receipt of the appeal. If the CSCDA Program Manager agrees with the appellant, the CSCDA Program Manager shall make a recommendation to the Commission to eliminate or reduce the Special Tax on the appellant's property or to provide a refund to appellant. The approval of the Commission or its designee must be obtained prior to any such elimination or reduction. If the CSCDA Program Manager disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has thirty (30) days in which to appeal to the Commission by filing a written notice of appeal with the Secretary of the Commission, provided that the

appellant is current in his/her payments of the Special Taxes. The second appeal must specify the reasons for the appellant's disagreement with the CSCDA Program Manager's determination. The Secretary of the Commission shall schedule the appeal to be heard before the Commission within sixty (60) days after receipt of the second appeal.

Interpretations may be made by the Commission by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment.

H. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2012-01 (IA No. 3) may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

I. PREPAYMENT OF SPECIAL TAX

Under this Rate and Method of Apportionment, an Assessor's Parcel within CFD No. 2012-01 (IA No. 3) is permitted to prepay the Special Tax. The obligation of the Assessor's Parcel to pay the Special Tax may be fully or partially prepaid and permanently satisfied as described herein, provided that a prepayment may be made only for Assessor's Parcels of Developed Property, or Assessor's Parcels of Undeveloped Property for which a building permit has been issued, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment.

An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CSCDA Program Manager with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the CSCDA Program Manager shall notify such owner of the prepayment amount of such Assessor's Parcel. The CSCDA Program Manager may charge a reasonable fee for providing this service. If there are Outstanding Bonds, Prepayment must be made not less than forty-five (45) days prior to the next occurring date that notice of redemption of CFD No. 2012-01 (IA No. 3) Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The following definition applies to this Section I:

"Buildout" means, for CFD No. 2012-01 (IA No. 3), that all expected building permits for non-residential development to be constructed in CFD No. 2012-01 (IA No. 3) have been issued, as reasonably determined by the CSCDA Program Manager.

"CFD Public Facilities" means either \$828,526 in 2012 dollars, or (ii) shall be determined by the Commission concurrently with a covenant that it will not issue any more CFD No. 2012-01 (IA No. 3) Bonds (other than refunding CFD No. 2012-01 (IA No. 3) Bonds) to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section E.

“Construction Fund” means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

“Future Facilities Costs” means the CFD Public Facilities minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

“Outstanding Bonds” means all Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

1. Prepayment in Full – After Issuance of Bonds

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	<u>Capitalized Interest Credit</u>
Total: equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. For Assessor’s Parcels of Developed Property, compute the Maximum Special Tax for the Assessor’s Parcel to be prepaid. For Assessor’s Parcels of Undeveloped Property for which a building permit has been issued, compute the Maximum Special Tax for that Assessor’s Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for such Assessor’s Parcel.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Taxes for the entire CFD No. 2012-01 (IA No. 3) based on the Developed Property Maximum Special Taxes which could be charged in the current Fiscal Year on all expected development through Buildout of CFD No. 2012-01 (IA No. 3), excluding any Assessor’s Parcels which have been prepaid, and

4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the “Bond Redemption Amount”).
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the “Redemption Premium”).
6. Compute the current Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the “Future Facilities Amount”).
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Taxes levied on the Assessor’s Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the amount the CSCDA Program Manager reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the “Defeasance Amount”).
12. Verify the administrative fees and expenses of CFD No. 2012-01 (IA No. 3), including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2012-01 (IA No. 3) Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the “Administrative Fees and Expenses”).
13. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “Reserve Fund Credit”). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.
14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the “Capitalized Interest Credit”).

15. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the “Prepayment Amount”).
16. The Prepayment Amount (less the amount computed pursuant to paragraph 12) shall be deposited into the appropriate fund and applied as set forth in the Indenture. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2012-01 (IA No. 3).

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of CFD No. 2012-01 (IA No. 3) Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year’s Special Tax levy as determined under paragraph 9 (above), the CSCDA Program Manager shall remove the current Fiscal Year’s Special Tax levy for such Assessor’s Parcel from the County tax rolls. With respect to any Assessor’s Parcel that is prepaid, the Commission shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on expected Taxable Property at buildout of CFD No. 2012-01 (IA No. 3) both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The amount of the prepayment shall be calculated as in Section I.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (PE - A) \times F + A.$$

These terms have the following meaning:

- PP = the partial prepayment
- PE = the Prepayment Amount calculated according to Section I.1
- F = the percentage by which the owner of the Assessor’s Parcel(s) is partially prepaying the Special Tax.
- A = the Administration Fees and Expenses from Section I.1.

The owner of any Assessor’s Parcel who desires such prepayment shall notify the CSCDA Program Manager of such owner’s intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid.

With respect to any Assessor's Parcel that is partially prepaid, the Commission shall (i) distribute the funds remitted to it according to Section I.1, and (ii) indicate in the records of CFD No. 2012-01 (IA No. 3) that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section E.

J. TERM OF SPECIAL TAX

The Special Tax shall be levied upon an Assessor's Parcel of Developed Property for a maximum of 40 years, provided however that Special Taxes will cease to be levied in an earlier Fiscal Year if the CSCDA Program Manager has determined that all required interest and principal payments on the CFD No. 2012-01 (IA No. 3) Bonds have been paid and the Commission has covenanted that it will not issue any more Bonds (other than refunding Bonds) to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section E.

[http://localhost/resources/Clients/CSCDA/Fancher Creek CFD/Rate and Method/RMA for Final ROI/CSCDA CFD No. 2012-01 RMA\(IA3\) - Final.doc](http://localhost/resources/Clients/CSCDA/Fancher Creek CFD/Rate and Method/RMA for Final ROI/CSCDA CFD No. 2012-01 RMA(IA3) - Final.doc)

EXHIBIT A

CERTIFICATE TO AMEND SPECIAL TAX

CSCDA CFD No. 2012-01 (IA No. 3) TAX REDUCTION CERTIFICATE

1. Pursuant to Sections C and D of the Rate and Method of Apportionment, the California Statewide Communities Development Authority (“CSCDA”) hereby reduces the Maximum Special Tax for Developed Property and Undeveloped Property within CFD No. 2012-01 (IA No. 3).
- (a) The information in Table 1 relating to the Fiscal Year 2012-13 Maximum Special Tax for Developed Property within CFD No. 2012-01 (IA No. 3) shall be modified to be the following:

Land Use Class	Maximum Special Tax
Residential Property	\$ [.....] per dwelling unit
Non-Residential Property	\$[.....] per square foot of Non-Residential Building Square Footage, or \$[.....] per Acre, when applied, whichever is greater

- (b) The Fiscal Year 2012-13 Maximum Special Tax for each Assessor’s Parcel of Undeveloped Property shall be \$[_____] per acre.
2. The CSCDA Program Manager shall cause an amended notice of Special Tax lien for CFD No. 2012-01 (IA No. 3) to be recorded reflecting the modifications set forth herein.

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

By: _____

Date: _____

APPENDIX D

PROPOSED AMENDMENTS TO RATES AND METHODS OF APPORTIONMENT

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**RATE AND METHOD OF APPORTIONMENT FOR
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-01
IMPROVEMENT AREA No. 1
FANCHER CREEK BUSINESS PARK**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Improvement Area No. 1 of CSCDA Community Facilities District No. 2012-01 (Fancher Creek Business Park) ("CFD No. 2012-01 (IA No. 1)") and collected each Fiscal Year commencing in Fiscal Year 2012-13, in an amount determined by the Commission, through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 2012-01 (IA No. 1) shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

This Rate and Method of Apportionment employs terms defined below and terms defined in the Rate and Method of Apportionment for Improvement Area No. 3 of CSCDA Community Facilities District No. 2012-01 (Village Center) ("CFD No. 2012-01 (IA No. 3)"). When necessary, terms defined in the latter shall be distinguished from terms defined in the former by including the words "CFD No. 2012-01 (IA No. 3)" prior to the defined term. The terms hereinafter set forth have the following meanings:

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

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2012-01 (IA No. 1): the costs of computing the Special Taxes and CFD No. 2012-01 (IA No. 3) Special Taxes and preparing the annual Special Tax and CFD No. 2012-01 (IA No. 3) Special Tax collection schedules (whether by the CSCDA Program Manager or designee thereof or both); the costs of collecting the Special Taxes and CFD No. 2012-01 (IA No. 3) Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes and CFD No. 2012-01 (IA No. 3) Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to CSCDA, CFD No. 2012-01 (IA No. 1), or any designee thereof of complying with arbitrage rebate requirements; the costs to CSCDA, CFD No. 2012-01 (IA No. 1), or any designee thereof of complying with CSCDA, CFD No. 2012-01 (IA No. 1), or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax and/or CFD No. 2012-01 (IA No. 3) Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes and/or CFD No. 2012-01 (IA No. 3) Special Taxes; the costs of CSCDA, CFD No. 2012-01 (IA No. 1), or any designee thereof related to an appeal of the Special Tax and/or the CFD No. 2012-01 (IA No. 3) Special Tax; the costs associated with the release of funds from an escrow account; and

CSCDA's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by CSCDA or CFD No. 2012-01 (IA No. 1) for any other administrative purposes of CFD No. 2012-01 (IA No. 1), including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes and/or CFD No. 2012-01 (IA No. 3) Special Taxes.

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

"Assessor's Parcel No. 313-270-76" means the Assessor's Parcel in CFD No. 2012-01 (IA No. 1) on which a building with the address 704 North Lavenue Avenue, Fresno, California is located.

"Assessor's Parcel Map" means an official map of the County Assessor of the County designating parcels by Assessor's parcel number.

"Bond Costs" means for (i) any bond issue secured by ~~any Other Improvement Area in~~ CFD No. 2012-01 (IA No. 1), all debt service payments, administrative expenses, and amounts required to establish or replenish any bond reserve funds, and any other use of Special Taxes for such bond issues required by the indenture, fiscal agent agreement, or other agreement governing the terms of such bond issue.

"Building Permit" means a permit issued by the City or County, as applicable, for the construction of a residential or non-residential building on an Assessor's Parcel.

"CFD No. 2012-01 (IA No. 1)" means CSCDA Community Facilities District No. 2012-01 (Improvement Area No. 1) which covers Fancher Creek Business Park.

"CFD No. 2012-01 (IA No. 3)" means CSCDA Community Facilities District No. 2012-01 (Improvement Area No. 3) which covers the Village Center project.

"CFD No. 2012-01 ~~(IA No. 1)~~ Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, ~~authorized-issued~~ by CFD No. 2012-01 ~~(IA No. 1)~~ under the Act and secured by the Special Taxes on the property within CFD No. 2012-01 (IA No. 1) and CFD No. 2012-01 (IA No. 3). ~~issued by CSCDA.~~

"CFD No. 2012-01 (IA No. 3) RMA" means the Rate and Method of Apportionment for CFD No. 2012-01 (IA No. 3).

"CFD No. 2012-01 (IA No. 3) Special Tax" means the Special Tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property in CFD No. 2012-01 (IA No. 3) to fund the Special Tax Requirement.

"City" means the City of Fresno.

"Commission" means the governing board of CSCDA.

"Construction Inflation Index" means the annual positive percentage change in the

Engineering News Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CSCDA Program Manager that is reasonably comparable to the Engineering News Record Building Cost Index for the City of Los Angeles.

“**County**” means the County of Fresno.

“**CSCDA**” means the California Statewide Communities Development Authority.

“**CSCDA Program Manager**” means the CFD program manager for CSCDA.

“**Developed Property**” means, for each Fiscal Year, (i) Assessor’s Parcel No. 313-270-76, and (ii) all Taxable Property in the Remainder of CFD No. 2012-01 (IA No. 1) for which a building permit for new construction was issued after January 1, 2012 and on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied.

“**Final Subdivision**” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, approved by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that, in either case, creates individual lots for which building permits may be issued without further subdivision.

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

“**Goals and Policies**” means the Mello-Roos Community Facilities Act of 1982 Goals and Policies, as adopted by the Commission.

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

“**Land Use Class**” means any of the classes listed in Table 1, and Exhibit A, below

“**Maximum Special Tax**” means the Maximum Special Tax, determined in accordance with Section C below, that can be levied by the Commission in any Fiscal Year on any Assessor’s Parcel of Developed Property or U~~ndeveloped Property.~~

~~“**Non-Residential Building Square Footage**” means the total gross building square footage of non-residential property lying within an Assessor’s Parcel for which one or more non-residential building permits have been issued. Such square footage shall be measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building but generally open on at least two sides, as determined by reference to the building permit(s) issued for that Assessor’s Parcel, or if these are not available, as otherwise determined by the CSCDA Program Manager.~~

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit permitting the construction of one or more non-residential units or facilities has been issued by the City or other governmental agency.

~~“Other Improvement Area” means an improvement area located within CFD No. 2012-01, other than CFD No. 2012-01 (IA No. 1).~~

~~“Other Improvement Area Bonds” means all bonds authorized by and secured by the special taxes on the property within Other Improvement Areas in the manner and for the duration set forth in one or more indentures, fiscal agent agreements, or other agreements governing the terms of such bonds.~~

“Outstanding Bonds” means all CFD No. 2012-01 (IA No. 1) Bonds which remain outstanding under the Indenture.

“Property Owner Association Property” means, for each Fiscal Year, (i) any property within the boundaries of CFD No. 2012-01 (IA No. 1) that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year, (ii) any property located in a Final Subdivision that was recorded as of the May 1 preceding the Fiscal Year in which the Special Tax is being levied and which, as determined from such Final Subdivision, is or will be open space, a common area recreation facility, or a private street, or (iii) any property which, as of the May 1 preceding the Fiscal Year for which the Special Tax is being levied, has been conveyed, irrevocably dedicated, or irrevocably offered to a property owner’s association, including any master or sub-association, provided such conveyance, dedication, or offer is submitted to the CFD Administrator by May 1 preceding the Fiscal Year for which the Special Tax is being levied. The total number of acres to be classified as Property Owner Association Property or Public Property cannot exceed 17.55 acres, as described in Section F of this RMA.

“Proportionately” means, (i) for Developed Property and Undeveloped Property, that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre in the Remainder of CFD No. 2012-01 (IA No. 1) is equal for all Assessor’s Parcels of Developed Property and Undeveloped Property, (ii) for Developed Property in CFD No. 2012-01 (IA No. 3) that the ratio of the actual CFD No. 2012-01 (IA No. 3) Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of CFD No. 2012-01 (IA No. 3) Developed Property, and (iii) for ~~For~~ Undeveloped Property, ~~“Proportionately” in CFD No. 2012-01 (IA No. 3) means~~ that the ratio of the actual Special Tax levy per ~~Acraere~~ to the Maximum Special Tax per ~~Acraere~~ is equal for all Assessor’s Parcels of ~~of~~ CFD No. 2012-01 (IA No. 3) Undeveloped Property.

“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2012-01 (IA No. 1) that is (i) owned by, irrevocably offered or dedicated to the federal government, the State, the County, the City, or any local government or other public agency, provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) encumbered by a public utility easement making impractical its use for any purpose other than that set forth in the easement. The total number of acres to be classified as Property Owner Association Property or Public Property cannot exceed 17.55 acres, as described in Section ~~F~~E of this RMA.

"Remainder of CFD No. 2012-01 (IA No. 1)" means all of the Assessor's Parcels in CFD No. 2012-01 (IA No. 1) with the exception of Assessor's Parcel No. 313-270-76.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property in CFD No. 2012-01 (IA No. 1) to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 2012-01 (IA No. 1) and CFD No. 2012-01 (IA No. 3) to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the CFD No. 2012-01 ~~(IA No. 1)~~ Bonds, including but not limited to, credit enhancement and rebate payments on the CFD No. 2012-01 ~~(IA No. 1)~~ Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; ~~(v) pay directly for construction of CFD No. 2012-01 (IA No. 1) facilities eligible under the Act to the extent that inclusion of this amount does not increase the levy of the Special Tax levy on Undeveloped Property or the CFD No. 2012-01 (IA No. 3) Special Tax levy on Undeveloped Property beyond the first step in Section E;~~ (vi) pay Bond Costs for Other Improvement Area Bonds to the extent that Special Taxes secure an issue of Other Improvement Area Bonds; and (vii) pay for reasonably anticipated delinquent Special Taxes and delinquent CFD No. 2012-01 (IA No. 3) Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (viii) a credit for funds available to reduce the annual Special Tax levy and the CFD No. 2012-01 (IA No. 3) Special Tax levy, as determined by the CSCDA Program Manager pursuant to the Indenture. The Special Tax Requirement represents the total amount to be levied in any Fiscal Year within CFD No. 2012-01 (IA No. 1) and CFD No. 2012-01 (IA No. 3).

"State" means the State of California

~~**"Supplemental Improvement Area"** means any Other Improvement Area that has been specifically designated as additional collateral for CFD No. 2012-01 (IA No. 1) Bonds as authorized in the Indenture. The Supplemental Improvement Area shall be retained as additional collateral and security for CFD No. 2012-01 (IA No. 1) Bonds until conditions for the release of the special taxes in the Supplemental Improvement Area, as set forth in the Indenture, are satisfied.~~

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2012-01 (IA No. 1) that are not Public Property or Property Owner Association Property that have been exempted from the Special Tax under Section E, below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2012-01 (IA No. 1) shall be classified as Developed Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and ~~E-D~~, below.

C. MAXIMUM SPECIAL TAX RATE

~~1. Prior to sixty (60) days before the issuance of a first series of CFD No. 2012-01 (IA No. 1) Bonds, the Maximum Special Tax on Developed Property and Undeveloped Property (set forth in Sections C.1 and C.2 below) may be reduced in accordance with, and subject to the conditions set forth in this section C without the need for any proceedings to make changes as permitted under the Act. At that time, if it is reasonably determined by the CSCDA Program Manager that the overlapping debt burden calculated pursuant to the Goals and Policies based upon the Maximum Special Tax on Developed Property exceeds the CSCDA's maximum overlapping debt burden objective set forth in the Goals and Policies, the Maximum Special Tax on Developed Property may be reduced to the amount necessary to equal such maximum overlapping debt burden level by the CSCDA Program Manager without need for any additional Commission proceedings. Similarly, at that time, if it is reasonably determined by the CSCDA Program Manager that the current Maximum Special Tax on Developed Property is greater than required to provide 110% debt service coverage on expected future CFD No. 2012-01 (IA No. 1) Bonds plus Administrative Expenses, the Maximum Special Tax on Developed Property may be reduced the amount necessary to provide 110% debt service coverage on expected future CFD No. 2012-01 (IA No. 1) Bonds plus Administrative Expenses without need for any additional proceedings. Furthermore, if appropriate, the CSCDA Program Manager may reduce the Maximum Special Tax for Undeveloped Property to the minimum amount necessary to allow CFD No. 2012-01 (IA No. 1) to collect the Maximum Special Tax equal to 110% debt service coverage on expected future CFD No. 2012-01 (IA No. 1) Bonds plus Administrative Expenses. There is no requirement that the CSCDA Program Manager reduce the Special Taxes for each of the Land Use Classes under this Section C in a proportionate manner if the CSCDA Program Manager determines that a disproportionate reduction of Maximum Special Tax levels among Land Use Classes would be appropriate for purposes of reducing the maximum overlapping debt burden, or would improve the viability of future development within CFD No. 2012-01 (IA No. 1).~~

~~The reductions permitted pursuant to the preceding paragraph shall be reflected in an amended notice of Special Tax lien which the CSCDA Program Manager shall cause to be recorded after executing a certificate in substantially the form attached herein as Exhibit A. Additional reductions in the Maximum Special Tax for Developed Property and the Maximum Special Tax for Undeveloped Property may also be implemented as allowed under Section D below. Notwithstanding the foregoing, under no circumstances may the special taxes be reduced under this Section C during the time that the Special Taxes have been pledged to the payment of Bond Costs for Other Improvement Area Bonds.~~

~~1. Developed Taxable Property~~

(a). Maximum Special Tax

The Maximum Special Tax that may be levied and escalated as explained further in Section C.1.(b) below in any Fiscal Year for each Assessor's Parcel classified as Developed Property or Undeveloped Property in CFD No. 2012-01 (IA No. 1) is shown below in Table 1.

TABLE 1
Maximum Special Tax for Developed Property and Undeveloped Property
Improvement Area No. 1 of CFD No. 2012-01
Fiscal Year 2012-13

Land Use Class	Maximum Special Tax
<u>Residential Property</u>	<u>\$7,193 per Acre</u>
<u>Non-Residential Property in Assessor's Parcel No. 313-270-76</u>	<u>\$17,074 per Acre \$0.48 per square foot of Non-Residential Building Square Footage, or \$7,193 per Acre, when applied, whichever is greater</u>
<u>Residential or Non-Residential Property in Remainder of IA No. 1</u>	<u>\$1,135 per Acre</u>

(b). Increase in the Maximum Special Tax

The Fiscal Year 2012-13 Maximum Special Taxes, identified in Table 1 above, ~~as such Table may be amended and restated in full pursuant to this Rate and Method of Apportionment,~~ shall increase on July 1 of each Fiscal Year thereafter, commencing on July 1, 2013, by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

~~2. Undeveloped Property~~

~~(a). Maximum Special Tax~~

~~The Fiscal Year 2012-13 Maximum Special Tax for each Assessor's Parcel of Undeveloped Property shall be \$8,340 per acre, and shall increase on July 1 of each Fiscal Year thereafter, commencing on July 1, 2013, by an amount equal to two percent (2%) of the Maximum Special Tax for the previous Fiscal Year.~~

~~D. MAXIMUM SPECIAL TAX REDUCTION AFTER ISSUANCE OF BONDS~~

~~The following definitions apply to this Section D:~~

~~“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year).~~

~~“Bond Year” the period starting September 2 and ending on the following September 1.~~

~~“Corresponding Bond Year” means, for any Fiscal Year, the Bond Year that commences in such Fiscal Year.~~

~~“Debt Service Coverage” means, as of the Determination Date, for any Fiscal Year, the quotient, expressed as a percentage, of (a) the Net Projected Special Tax Revenues for such Fiscal Year, divided by (b) the Annual Debt Service for the Corresponding Bond Year.~~

~~“Determination Date” means the first May 1 on which items (a), (b), (c), (d) and (e) in Section D.1 below are determined to be true.~~

~~“Net Projected Special Tax Revenues” means, as of the Determination Date, for any Fiscal Year, the remainder of (a) the Projected Special Tax Revenues for such Fiscal Year, minus (b) the Projected Administrative Expenses for such Fiscal Year.~~

~~“Projected Administrative Expenses” means, as of the Determination Date, (a) for the Fiscal Year in which such Determination Date occurs, 110% of the average actual Administrative Expenses for the preceding five Fiscal Years, and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Projected Administrative Expenses on each July 1, from and including the July 1 next succeeding such Determination Date to and including the July 1 in such Fiscal Year by 2% of the amount in effect for the previous Fiscal Year.~~

~~“Projected Special Tax Revenues” means, as of the Determination Date, for any Fiscal Year, based on the tax classifications for the Fiscal Year commencing on the July 1 next succeeding such Determination Date, the amount of Maximum Special Taxes that may be levied on all Developed Property pursuant to the Act and this Rate and Method of Apportionment in such Fiscal Year taking into account the loss of any Special Taxes from Developed Property that will no longer be taxed pursuant to Section J (Term of Special Tax).~~

~~“Reduction Percentage” means, as of the Determination Date, the greatest percentage amount by which the Maximum Special Tax for Developed Property could be reduced that would not cause the Debt Service Coverage in any Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds to be less than 110%. If the Debt Service Coverage is less than 110% the Reduction Percentage shall equal 0%.~~

~~1. Determination of Reduction~~

~~On the first May 1 following the date that (i) all authorized Bonds have been~~

~~issued or the Commission has adopted a resolution determining that CFD No. 2012-01 (IA No. 1) will not issue any additional Bonds (except refunding Bonds in accordance with the Act) and (ii) the Commission has adopted a resolution determining that the Special Tax will no longer be levied to pay directly for the acquisition or construction of eligible improvements, the CSCDA Program Manager shall determine if all of the following are true:~~

- ~~(a) — The balance in the reserve fund established under the Indenture is at or above the reserve requirement;~~
- ~~(b) — CFD No. 2012-01 (IA No. 1) is not in default in the payment of interest on and principal of all Outstanding Bonds;~~
- ~~(c) — Debt Service Coverage for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds is at least equal to 110%; and~~
- ~~(d) — The delinquency rate as of June 30 of the prior Fiscal Year for Special Taxes levied for each prior Fiscal Year did not exceed ten percent (10%) of the amount levied for such Fiscal Year.~~
- ~~(e) — Project Special Tax Revenues are not pledged to the payment of Bond Costs for Other Improvement Areas.~~

~~If all five of the above items are true, then the Maximum Tax for all parcels of Developed Property shall be reduced by the amount, if any, determined in Section D.2.~~

~~If any one of the five items is not true as of the first May 1 following the date that all authorized Bonds have been issued or the Commission has adopted a resolution determining that CFD No. 2012-01 (IA No. 1) will not issue any additional Bonds (except refunding Bonds in accordance with the Act), then the CSCDA Program Manager shall continue to make such determination each following May 1, until all of the tests are met.~~

~~The first May 1 on which all five items are true shall be considered the Determination Date.~~

~~2. Calculation of Reduction~~

~~The Special Tax reduction shall be calculated by the CSCDA Program Manager as follows:~~

- ~~(a) — Determine the Projected Special Tax Revenues for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds;~~
- ~~(b) — Determine the Projected Administrative Expenses for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date~~

- of the Outstanding Bonds;
- (c) — ~~Determine the Debt Service Coverage for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds;~~
- (d) — ~~Determine the Reduction Percentage.~~

~~The Maximum Special Tax for Developed Property for the Fiscal Year commencing on the July 1 following the Determination Date shall be reduced from the amount that otherwise would have been in effect pursuant to this Rate and Method of Apportionment by a percentage amount equal to the Reduction Percentage.~~

~~3. — Certificate of CSCDA Program Manager~~

~~Upon completion of the tests identified in Section D.1 and the calculations in Section D.2, the CSCDA Program Manager shall prepare a Certificate of CSCDA Program Manager in substantially the form attached herein as Exhibit A, that sets forth the results of such tests and the resulting reduced Special Tax rates.~~

~~4. — Recordation of Revised Notice~~

~~Upon receipt of a Certificate of CSCDA Program Manager, an addendum to the Notice of Special Tax Lien shall be recorded. Such addendum shall clearly set forth the revised Special Tax rates.~~

ED. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2012-13 and for each following Fiscal Year, the CSCDA Program Manager shall determine the Special Tax Requirement, taking into consideration the levy of the CFD No. 2012-01 (IA No. 3) Special Tax, and shall levy the Special Tax until the amount of Special Taxes and CFD No. 2012-01 (IA No. 3) Special Taxes equal the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied ~~Proportionately~~ on ~~each~~ Assessor's Parcel ~~of Developed Property~~ No. 313-270-76 at ~~up to~~ 100% of the applicable Maximum Special Tax; ~~for Assessor's Parcel No. 313-270-76;~~

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of ~~Developed Property and Undeveloped~~ Developed Property and Undeveloped Property ~~in the Remainder of CFD No. 2012-01 (IA No. 1)~~ until the amount levied on Undeveloped Property is equal to the lesser of (i) the Special Tax Requirement less the amount levied pursuant to the first step above, or (ii) at up to 100% of the Maximum Special Tax for Undeveloped ~~Developed Property and Undeveloped Property~~ in the Remainder of CFD No. 2012-01 (IA No. 1);

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then under the terms of the CFD No. 2012-01 (IA No. 3) RMA, the CFD No. 2012-01 (IA No. 3) Special Tax shall be levied Proportionately on each Assessor's Parcel of CFD No. 2012-01 (IA No. 3) Developed Property at up to 100% of the Maximum Special Tax for Developed Property in CFD No. 2012-01 (IA No. 3);

~~if required to satisfy the Indenture, a special tax shall be levied on each Assessor's Parcel of taxable property located within the Supplemental Improvement Areas pledged to CFD No. 2012-01 (IA No. 1) Bonds, based on the rate and method of apportionment of special taxes for these Supplemental Improvement Areas.~~

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then under the terms of the CFD No. 2012-01 (IA No. 3) RMA, the CFD No. 2012-01 (IA No. 3) Special Tax shall be levied Proportionately on each Assessor's Parcel of CFD No. 2012-01 (IA No. 3) Undeveloped Property at up to 100% of the Maximum Tax for Undeveloped Property in CFD No. 2012-01 (IA No. 3);

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of non-exempt Public Property or Property Owner Association Property in the Remainder of CFD No. 2012-01 (IA No. 1) at up to the Maximum Special Tax for Non-Residential Property in the Remainder of CFD No. 2012-01 (IA No. 1);

Sixth: If additional monies are needed to satisfy the Special Tax Requirement after the first five steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of non-exempt Public Property or Property Owner Association Property in CFD No. 2012-01 (IA No. 3) at up to the Maximum Special Tax for Non-Residential Property in CFD No. 2012-01 (IA No. 3).

Notwithstanding the above, the CSCDA Program Manager or its designee may, in any Fiscal Year, levy Proportionately less than 100% of the Maximum Special Tax in the first step (above); when (i) the Commission or its designee is no longer required to levy the Special Tax pursuant to the second ~~and third through sixth~~ steps (above) in order to meet the Special Tax Requirement; and (ii) all authorized CFD No. 2012-01 (IA No. 1) Bonds have already been issued or the Commission has covenanted that it will not issue any additional CFD No. 2012-01 (IA No. 1) Bonds (except refunding bonds) to be supported by the Special Tax.

EF. EXEMPTIONS

No Special Tax shall be levied on up to 17.55 ~~Acres~~ Acres of Public Property or Property Owner Association Property in the Remainder of CFD No. 2012-01 (IA No. 1). Tax-exempt status will be assigned by the CSCDA Program Manager in the chronological order in which property in the Remainder of CFD No. 2012-01 (IA No. 1) becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel in the Remainder of CFD No. 2012-01 no longer be classified as Public Property or Property Owner Association Property, it will, from that point forward, be subject to the Special Tax.

Prior to sixty (60) days before the issuance of a first series of CFD No. 2012-01 (IA No. 1) Bonds, the CSCDA Program Manager may increase the final number of tax-exempt acres of Public Property ~~or~~ and Property Owner Association Property in the Remainder of CFD No. 2012-01 (IA No. 1) to better reflect the actual tax-exempt acreage within the Remainder of CFD No. 2012-01 (IA No. 1). However, after the issuance of a first series of CFD No. 2012-01 (IA No. 1) Bonds, Public Property and Property Owner Association Property that exceed the 17.55 Acre limit shall be taxed as Non-Residential Property under the 5th Step in Section D.

FG. REVIEW/APEAL PROCESS

Any taxpayer may file a written appeal of the Special Tax on his/her property with CSCDA, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CSCDA Program Manager or its designee shall review the appeal, meet with the appellant if the CSCDA Program Manager deems necessary, and advise the appellant of its determination within sixty (60) days after receipt of the appeal. If the CSCDA Program Manager agrees with the appellant, the CSCDA Program Manager shall make a recommendation to the Commission to eliminate or reduce the Special Tax on the appellant's property or to provide a refund to appellant. The approval of the Commission or its designee must be obtained prior to any such elimination or reduction. If the CSCDA Program Manager disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has thirty (30) days in which to appeal to the Commission by filing a written notice of appeal with the Secretary of the Commission, provided that the appellant is current in his/her payments of the Special Taxes. The second appeal must specify the reasons for the appellant's disagreement with the CSCDA Program Manager's determination. The Secretary of the Commission shall schedule the appeal to be heard before the Commission within sixty (60) days after receipt of the second appeal.

Interpretations may be made by the Commission by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment.

GH. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2012-01 (IA No. 1) may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

IH. PREPAYMENT OF SPECIAL TAX

Under this Rate and Method of Apportionment, any Assessor's Parcel of Taxable Property within CFD No. 2012-01 (IA No. 1) is permitted to prepay the Special Tax. The obligation of the Assessor's Parcel to pay the Special Tax may be fully or partially prepaid and permanently satisfied as described herein, ~~provided that a prepayment may be made only for Assessor's Parcels of Developed Property, or Assessor's Parcels of Undeveloped Property for which a building permit has been issued, and~~ only if there are

no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment.

An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CSCDA Program Manager with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the CSCDA Program Manager shall notify such owner of the prepayment amount of such Assessor's Parcel. The CSCDA Program Manager may charge a reasonable fee for providing this service. If there are Outstanding Bonds, Prepayment must be made not less than forty-five (45) days prior to the next occurring date that notice of redemption of CFD No. 2012-01 (~~IA No. 1~~) Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The following definition applies to this Section HI:

“Buildout” means, for CFD No. 2012-01 (~~IA No. 1~~), that all expected building permits for residential and non-residential development to be constructed in CFD No. 2012-01 (~~IA No. 1~~) have been issued, as reasonably determined or projected by the CSCDA Program Manager.

“CFD Public Facilities” means either (i) ~~\$3,000~~6,495,000 in 2012 dollars, or (ii) shall be determined by the Commission concurrently with a covenant that it will not issue any more CFD No. 2012-01 (IA No. 1) Bonds (other than refunding CFD No. 2012-01 (IA No. 1) Bonds) to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section DE.

“Construction Fund” means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

“Future Facilities Costs” means the CFD Public Facilities minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

“Outstanding Bonds” means all Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

1. Prepayment in Full – After Issuance of Bonds

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit

less Capitalized Interest Credit
Total: equals Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to ~~such the~~ Assessor's Parcel to be prepaid, and that such Assessor's Parcel is Taxable Property.

2. For each Assessor's Parcels of ~~Developed Taxable~~ Property in CFD No. 2012-01 (IA No. 1) to be prepaid, compute the current Maximum Special Tax for ~~that the~~ Assessor's Parcel ~~to be prepaid.~~

~~2. — For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Maximum Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for such Assessor's Parcel.~~

3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the sum of the total estimated Maximum Special Taxes for the entire CFD No. 2012-01 (IA No. 1) based on the ~~Developed Property~~ Maximum Special Taxes which could be charged in the current Fiscal Year on all ~~expected development~~ Assessor's Parcels ~~development through at Buildout of in of~~ CFD No. 2012-01 (IA No. 1); plus the Maximum Special Taxes for the entire CFD No. 2012-01 (IA No. 3) based on the Developed Property Maximum Special Taxes which could be charged in the current Fiscal Year on all Assessor's Pexpected development at Buildout of parcels in CFD No. 2012-01 (IA No. 3), excluding any Assessor's Parcels which have been prepaid., ~~and~~

4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").

5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").

6. Compute the current Future Facilities Costs.

7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").

8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.

9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the amount the CSCDA Program Manager reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of CFD No. 2012-01 (IA No. 1), including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2012-01 (IA No. 1) Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
13. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.
14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
15. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").
16. The Prepayment Amount (less the amount computed pursuant to paragraph 12) shall be deposited into the appropriate fund and applied as set forth in the Indenture. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2012-01 (IA No. 1).

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of CFD No. 2012-01 (~~IA No. 1~~) Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CSCDA Program Manager shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the Commission shall

cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on ~~expected~~ Taxable Property in CFD No. 2012-01 (IA No. 1) plus the amount of Maximum Special Taxes that may be levied on expected Taxable Property at buildout in CFD No. 2012-01 (IA No. 3) both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds through the retirement of such Bonds.

2. Prepayment in Part

The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (PE - A) \times F + A.$$

These terms have the following meaning:

PP = the partial prepayment

PE = the Prepayment Amount calculated according to Section H.1

F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.

A = the Administration Fees and Expenses from Section H.1.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CSCDA Program Manager of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid.

With respect to any Assessor's Parcel that is partially prepaid, the Commission shall (i) distribute the funds remitted to it according to Section H.1, and (ii) indicate in the records of CFD No. 2012-01 (IA No. 1) that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section DE.

J.I. TERM OF SPECIAL TAX

The Special Tax shall be levied upon an Assessor's Parcel of Developed Property for a maximum of 40 years, provided however that Special Taxes will cease to be levied in an earlier Fiscal Year if the CSCDA Program Manager has determined that all required interest and principal payments on the CFD No. 2012-01_-(~~IA No. 1~~)-Bonds have been paid and the Commission has covenanted that it will not issue any more Bonds (other than refunding Bonds) to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in ~~Section DE~~.

EXHIBIT A

~~CERTIFICATE TO AMEND SPECIAL TAX~~

~~CSCDA CFD No. 2012-01 (IA No. 1) TAX REDUCTION CERTIFICATE~~

~~1. Pursuant to Sections C and D of the Rate and Method of Apportionment, the California Statewide Communities Development Authority (“CSCDA”) hereby reduces the Maximum Special Tax for Developed Property and Undeveloped Property within CFD No. 2012-01 (IA No. 1):~~

~~(a) The information in Table 1 relating to the Fiscal Year 2012-13 Maximum Special Tax for Developed Property within CFD No. 2012-01 (IA No. 1) shall be modified to be the following:~~

Land Use Class	Maximum Special Tax
Residential Property	\$ [.....] per dwelling unit
Non-Residential Property	[\$[.....] per square foot of Non-Residential Building Square Footage, or \$[.....] per Acre, when applied, whichever is greater

~~(b) The Fiscal Year 2012-13 Maximum Special Tax for each Assessor’s Parcel of Undeveloped Property shall be \$[] per acre.~~

~~2. The CSCDA Program Manager shall cause an amended notice of Special Tax lien for CFD No. 2012-01 (IA No. 1) to be recorded reflecting the modifications set forth herein.~~

~~CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY~~

~~By: _____ Date: _____~~

**RATE AND METHOD OF APPORTIONMENT FOR
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-01
IMPROVEMENT AREA No. 3
VILLAGE CENTER**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Improvement Area No. 3 of CSCDA Community Facilities District No. 2012-01 (~~Fancher Creek Village Center~~) ("CFD No. 2012-01 (IA No. 3)") and collected each Fiscal Year commencing in Fiscal Year 2012-13, in an amount determined by the Commission, through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 2012-01 (IA No. 3) shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

This Rate and Method of Apportionment employs terms defined below and terms defined in the Rate and Method of Apportionment for Improvement Area No. 1 of CSCDA Community Facilities District No. 2012-01 (Fancher Creek Business Park) ("CFD No. 2012-01 (IA No. 1)." When necessary, terms defined in the latter shall be distinguished from terms defined in the former by including the words "CFD No. 2012-01 (IA No. 1)" prior to the defined term. The terms hereinafter set forth have the following meanings:

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

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2012-01 (IA No. 3): the costs of computing the Special Taxes and CFD No. 2012-01 (IA No. 1) Special Taxes and preparing the annual Special Tax and CFD No. 2012-01 (IA No. 1) Special Tax collection schedules (whether by the CSCDA Program Manager or designee thereof or both); the costs of collecting the Special Taxes and CFD No. 2012-01 (IA No. 1) Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes and CFD No. 2012-01 (IA No. 1) Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to CSCDA, CFD No. 2012-01 (IA No. 3), or any designee thereof of complying with arbitrage rebate requirements; the costs to CSCDA, CFD No. 2012-01 (IA No. 3), or any designee thereof of complying with CSCDA, CFD No. 2012-01 (IA No. 3), or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax and/or CFD No. 2012-01 (IA No. 1) Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes and/or CFD No. 2012-01 (IA No. 1) Special Taxes; the costs of CSCDA, CFD No. 2012-01 (IA No. 3), or any designee thereof related to an appeal of the Special Tax and/or the CFD No. 2012-01 (IA No. 1) Special Tax; the costs associated with the release of funds from an escrow account; and

CSCDA's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by CSCDA or CFD No. 2012-01 (IA No. 3) for any other administrative purposes of CFD No. 2012-01 (IA No. 3), including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes: and/or CFD No. 2012-01 (IA No. 1) Special Taxes.

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

"Assessor's Parcel No. 313-270-76" means the Assessor's Parcel in CFD No. 2012-01 (IA No. 1) on which a building with the address 704 North Lavenue Avenue, Fresno, California is located.

"Assessor's Parcel Map" means an official map of the County Assessor of the County designating parcels by Assessor's parcel number.

"Bond Costs" means for (i) any bond issue secured by ~~any Other Improvement Area in~~ CFD No. 2012-01; ~~(IA No. 3)~~, all debt service payments, administrative expenses, and amounts required to establish or replenish any bond reserve funds, and any other use of Special Taxes for such bond issues required by the indenture, fiscal agent agreement, or other agreement governing the terms of such bond issue.

"Building Permit" means a permit issued by the City or County, as applicable, for the construction of a residential or non-residential building on an Assessor's Parcel.

"CFD No. 2012-01 (IA No. 1)" means CSCDA Community Facilities District No. 2012-01 (Improvement Area No. 1) which covers Fancher Creek Business Park.

"CFD No. 2012-01 (IA No. 3)" means CSCDA Community Facilities District No. 2012-01 (Improvement Area No. 3) which covers the Village Center project.

"CFD No. 2012-01 ~~(IA No. 3) Bonds"~~ means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, ~~authorized by~~ issued by CSCDA under the Act and secured by the special taxes on the property within CFD No. 2012-01 (IA No. 1) and CFD No. 2012-01 (IA No. 3) under the Act and issued by CSCDA.

"CFD No. 2012-01 (IA No. 1) RMA" means the Rate and Method of Apportionment for CFD No. 2012-01 (IA No. 1).

"CFD No. 2012-01 (IA No. 1) Special Tax" means the Special Tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property in CFD No. 2012-01 (IA No. 1) to fund the Special Tax Requirement.

"City" means the City of Fresno.

"Commission" means the governing board of CSCDA.

"Construction Inflation Index" means the annual positive percentage change in the

Engineering News Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CSCDA Program Manager that is reasonably comparable to the Engineering News Record Building Cost Index for the City of Los Angeles.

“**County**” means the County of Fresno.

“**CSCDA**” means the California Statewide Communities Development Authority.

“**CSCDA Program Manager**” means the CFD program manager for CSCDA.

“**Developed Property**” means, for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued after January 1, 2012 and on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied.

“**Final Subdivision**” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, approved by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that, in either case, creates individual lots for which building permits may be issued without further subdivision.

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

“**Goals and Policies**” means the Mello-Roos Community Facilities Act of 1982 Goals and Policies, as adopted by the Commission.

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

“**Land Use Class**” means any of the classes listed in Table 1 ~~and Exhibit A~~, below

“**Maximum Special Tax**” means the Maximum Special Tax, determined in accordance with Section C below, that can be levied by the Commission in any Fiscal Year on any Assessor’s Parcel of Developed Property; or Undeveloped Property.

~~“**Non-Residential Building Square Footage**” means the total gross building square footage of non-residential property lying within an Assessor’s Parcel for which one or more non-residential building permits have been issued. Such square footage shall be measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building but generally open on at least two sides, as determined by reference to the building permit(s) issued for that Assessor’s Parcel, or if these are not available, as otherwise determined by the CSCDA Program Manager.~~

“**Non-Residential Property**” means all Assessor’s Parcels of Developed Property for which a building permit permitting the construction of one or more non-residential units or facilities has been issued by the City or other governmental agency.

~~“Other Improvement Area” means an improvement area located within CFD No. 2012-01, other than CFD No. 2012-01 (IA No. 3).~~

~~“Other Improvement Area Bonds” means all bonds authorized by and secured by the special taxes on the property within Other Improvement Areas in the manner and for the duration set forth in one or more indentures, fiscal agent agreements, or other agreements governing the terms of such bonds.~~

“Outstanding Bonds” means all CFD No. 2012-01-~~(IA No. 3)~~ Bonds which remain outstanding under the Indenture.

“Property Owner Association Property” means, for each Fiscal Year, (i) any property within the boundaries of CFD No. 2012-01 (IA No. 3) that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year, (ii) any property located in a Final Subdivision that was recorded as of the May 1 preceding the Fiscal Year in which the Special Tax is being levied and which, as determined from such Final Subdivision, is or will be open space, a common area recreation facility, or a private street, or (iii) any property which, as of the May 1 preceding the Fiscal Year for which the Special Tax is being levied, has been conveyed, irrevocably dedicated, or irrevocably offered to a property owner’s association, including any master or sub-association, provided such conveyance, dedication, or offer is submitted to the CFD Administrator by May 1 preceding the Fiscal Year for which the Special Tax is being levied. The total number of acres to be classified as Property Owner Association Property or Public Property cannot exceed 6.82 acres, as described in Section ~~FE~~ of this RMA.

“Proportionately” means, (i) for Developed Property and Undeveloped Property, that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre in the Remainder of CFD No. 2012-01 (IA No. 1) is equal for all Assessor’s Parcels of Developed Property and Undeveloped Property, (ii) for Developed Property in CFD No. 2012-01 (IA No. 3) that the ratio of the actual CFD No. 2012-01 (IA No. 3) Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of CFD No. 2012-01 (IA No. 3) Developed Property, and (iii) for Undeveloped Property in CFD No. 2012-01 (IA No. 3) that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property. ~~CFD No. 2012-01 (IA No. 3) Undeveloped Property.~~

“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2012-01 (IA No. 3) that is (i) owned by, irrevocably offered or dedicated to the federal government, the State, the County, the City, or any local government or other public agency, provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) encumbered by a public utility easement making impractical its use for any purpose other than that set forth in the easement. The total number of acres to be classified as Property Owner Association Property or Public Property cannot exceed 6.82 acres, as described in Section ~~FE~~ of this RMA.

"Remainder of CFD No. 2012-01 (IA No. 1)" means all of the Assessor's Parcels in CFD No. 2012-01 (IA No. 1) with the exception of Assessor's Parcel No. 313-270-76.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property in CFD No. 2012-01 (IA No. 3) to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 2012-01 (IA No. 1) and CFD No. 2012-01 (IA No. 3) to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the CFD No. 2012-01 ~~(IA No. 3)~~ Bonds, including but not limited to, credit enhancement and rebate payments on the CFD No. 2012-01 ~~(IA No. 3)~~ Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; ~~(v) pay directly for construction of CFD No. 2012-01 (IA No. 3) facilities eligible under the Act to the extent that inclusion of this amount does not increase the levy of the Special Tax beyond the first step in Section E;~~ (vi) pay Bond Costs for Other Improvement Area Bonds to the extent that Special Taxes secure an issue of Other Improvement Area Bonds; and (vi) pay for reasonably anticipated delinquent and (v) pay for reasonably anticipated delinquent Special Taxes and delinquent CFD No. 2012-01 (IA No. 1) Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax levy and the CFD No. 2012-01 (IA No. 1) Special Tax levy, as determined by the CSCDA Program Manager pursuant to the Indenture. The Special Tax Requirement represents the total amount to be levied in any Fiscal Year within CFD No. 2012-01 (IA No. 1) and CFD No. 2012-01 (IA No. 3).

"State" means the State of California.

~~**"Supplemental Improvement Area"** means any Other Improvement Area that has been specifically designated as additional collateral for CFD No. 2012-01 (IA No. 3) Bonds as authorized in the Indenture. The Supplemental Improvement Area shall be retained as additional collateral and security for CFD No. 2012-01 (IA No. 3) Bonds until conditions for the release of the special taxes in the Supplemental Improvement Area, as set forth in the Indenture, are satisfied.~~

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2012-01 (IA No. 3) that is are not Public Property or Property Owner Association Property that have been exempted from the Special Tax under Section E, below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2012-01 (IA No. 3) shall be classified as Developed Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and ~~ED~~, below.

C. MAXIMUM SPECIAL TAX RATE

~~Prior to sixty (60) days before the issuance of a first series of CFD No. 2012-01 (IA No. 3) Bonds, the Maximum Special Tax on Developed Property and Undeveloped Property (set forth in Sections C.1 and C.2 below) may be reduced in accordance with, and subject to the conditions set forth in this section C without the need for any proceedings to make changes as permitted under the Act. At that time, if it is reasonably determined by the CSCDA Program Manager that the overlapping debt burden calculated pursuant to the Goals and Policies based upon the Maximum Special Tax on Developed Property exceeds the CSCDA's maximum overlapping debt burden objective set forth in the Goals and Policies, the Maximum Special Tax on Developed Property may be reduced to the amount necessary to equal such maximum overlapping debt burden level by the CSCDA Program Manager without need for any additional Commission proceedings. Similarly, at that time, if it is reasonably determined by the CSCDA Program Manager that the current Maximum Special Tax on Developed Property is greater than required to provide 110% debt service coverage on expected future CFD No. 2012-01 (IA No. 3) Bonds plus Administrative Expenses, the Maximum Special Tax on Developed Property may be reduced the amount necessary to provide 110% debt service coverage on expected future CFD No. 2012-01 (IA No. 3) Bonds plus Administrative Expenses without need for any additional proceedings. Furthermore, if appropriate, the CSCDA Program Manager may reduce the Maximum Special Tax for Undeveloped Property to the minimum amount necessary to allow CFD No. 2012-01 (IA No. 3) to collect the Maximum Special Tax equal to 110% debt service coverage on expected future CFD No. 2012-01 (IA No. 3) Bonds plus Administrative Expenses. There is no requirement that the CSCDA Program Manager reduce the Special Taxes for each of the Land Use Classes under this Section C in a proportionate manner if the CSCDA Program Manager determines that a disproportionate reduction of Maximum Special Tax levels among Land Use Classes would be appropriate for purposes of reducing the maximum overlapping debt burden, or would improve the viability of future development within CFD No. 2012-01 (IA No. 3).~~

~~The reductions permitted pursuant to the preceding paragraph shall be reflected in an amended notice of Special Tax lien which the CSCDA Program Manager shall cause to be recorded after executing a certificate in substantially the form attached herein as Exhibit A. Additional reductions in the Maximum Special Tax for Developed Property and the Maximum Special Tax for Undeveloped Property may also be implemented as allowed under Section D below. Notwithstanding the foregoing, under no circumstances may the Special Taxes be reduced under this Section C during the time that the Special Taxes have been pledged to the payment of Bond Costs for Other Improvement Area Bonds.~~

1. Developed Property

(a). Maximum Special Tax

~~(b) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year).~~

~~“Bond Year” the period starting September 2 and ending on the following September 1.~~

~~“Corresponding Bond Year” means, for any Fiscal Year, the Bond Year that commences in such Fiscal Year.~~

~~“Debt Service Coverage” means, as of the Determination Date, for any Fiscal Year, the quotient, expressed as a percentage, of (a) the Net Projected Special Tax Revenues for such Fiscal Year, divided by (b) the Annual Debt Service for the Corresponding Bond Year.~~

~~“Determination Date” means the first May 1 on which items (a), (b), (c), (d) and (e) in Section D.1 below are determined to be true.~~

~~“Net Projected Special Tax Revenues” means, as of the Determination Date, for any Fiscal Year, the remainder of (a) the Projected Special Tax Revenues for such Fiscal Year, minus (b) the Projected Administrative Expenses for such Fiscal Year.~~

~~“Projected Administrative Expenses” means, as of the Determination Date, (a) for the Fiscal Year in which such Determination Date occurs, 110% of the average actual Administrative Expenses for the preceding five Fiscal Years, and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Projected Administrative Expenses on each July 1, from and including the July 1 next succeeding such Determination Date to and including the July 1 in such Fiscal Year by 2% of the amount in effect for the previous Fiscal Year.~~

~~“Projected Special Tax Revenues” means, as of the Determination Date, for any Fiscal Year, based on the tax classifications for the Fiscal Year commencing on the July 1 next succeeding such Determination Date, the amount of Maximum Special Taxes that may be levied on all Developed Property pursuant to the Act and this Rate and Method of Apportionment in such Fiscal Year taking into account the loss of any Special Taxes from Developed Property that will no longer be taxed pursuant to Section J (Term of Special Tax).~~

~~“Reduction Percentage” means, as of the Determination Date, the greatest percentage amount by which the Maximum Special Tax for Developed Property could be reduced that would not cause the Debt Service Coverage in any Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds to be less than 110%. If the Debt Service Coverage is less than 110% the Reduction Percentage shall equal 0%.~~

1. ~~Determination of Reduction~~

~~On the first May 1 following the date that (i) all authorized Bonds have been issued or the Commission has adopted a resolution determining that CFD No. 2012-01 (IA No. 3) will not issue any additional Bonds (except refunding Bonds in accordance with the Act) and (ii) the Commission has adopted a resolution determining that the Special Tax will no longer be levied to pay directly for the~~

~~acquisition or construction of eligible improvements, the CSCDA Program Manager shall determine if all of the following are true:~~

- ~~(a) — The balance in the reserve fund established under the Indenture is at or above the reserve requirement;~~
- ~~(b) — CFD No. 2012-01 (IA No. 3) is not in default in the payment of interest on and principal of all Outstanding Bonds;~~
- ~~(c) — Debt Service Coverage for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds is at least equal to 110%; and~~
- ~~(d) — The delinquency rate as of June 30 of the prior Fiscal Year for Special Taxes levied for each prior Fiscal Year did not exceed ten percent (10%) of the amount levied for such Fiscal Year.~~
- ~~(e) — Project Special Tax Revenues are not pledged to the payment of Bond Costs for Other Improvement Areas.~~

~~If all five of the above items are true, then the Maximum Tax for all parcels of Developed Property shall be reduced by the amount, if any, determined in Section D.2.~~

~~If any one of the five items is not true as of the first May 1 following the date that all authorized Bonds have been issued or the Commission has adopted a resolution determining that CFD No. 2012-01 (IA No. 3) will not issue any additional Bonds (except refunding Bonds in accordance with the Act), then the CSCDA Program Manager shall continue to make such determination each following May 1, until all of the tests are met.~~

~~The first May 1 on which all five items are true shall be considered the Determination Date.~~

~~2. Calculation of Reduction~~

~~The Special Tax reduction shall be calculated by the CSCDA Program Manager as follows:~~

- ~~(a) — Determine the Projected Special Tax Revenues for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds;~~
- ~~(b) — Determine the Projected Administrative Expenses for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the June 30 next preceding the final maturity date of the Outstanding Bonds;~~
- ~~(c) — Determine the Debt Service Coverage for each Fiscal Year from the Fiscal Year commencing on the July 1 next succeeding such Determination Date to and including the Fiscal Year ending on the~~

~~June 30 next preceding the final maturity date of the Outstanding Bonds;~~

~~(d) Determine the Reduction Percentage.~~

~~The Maximum Special Tax for Developed Property for the Fiscal Year commencing on the July 1 following the Determination Date shall be reduced from the amount that otherwise would have been in effect pursuant to this Rate and Method of Apportionment by a percentage amount equal to the Reduction Percentage.~~

~~3. Certificate of CSCDA Program Manager~~

~~Upon completion of the tests identified in Section D.1 and the calculations in Section D.2, the CSCDA Program Manager shall prepare a Certificate of CSCDA Program Manager in substantially the form attached herein as Exhibit A, that sets forth the results of such tests and the resulting reduced Special Tax rates.~~

~~4. Recordation of Revised Notice~~

~~Upon receipt of a Certificate of CSCDA Program Manager, an addendum to the Notice of Special Tax Lien shall be recorded. Such addendum shall clearly set forth the revised Special Tax rates.~~

~~E.~~

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2012-13 and for each following Fiscal Year, the CSCDA Program Manager shall determine the Special Tax Requirement, taking into consideration the levy of the CFD No. 2012-01 (IA No. 1) Special Tax, and shall levy the Special Tax until the amount of Special Taxes and CFD No. 2012-01 (IA No. 1) Special Taxes equal the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The CFD No. 2012-01 (IA No. 1) Special Tax shall be levied ~~Proportionately on each Assessor's Parcel of Developed Property at up to~~ No. 313-270-76 in CFD No. 2012-01 (IA No. 1) at 100% of the applicable Maximum Special Tax for Assessor's Parcel No. 313-270-76;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the CFD No. 2012-01 (IA No. 1) Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property and Undeveloped Property ~~until~~ the amount levied on Undeveloped Property is equal ~~Remainder of CFD No. 2012-01 (IA No. 1) at up to the lesser of (i) the Special Tax Requirement less the amount levied pursuant to the first step above, or (ii) 100% of the Maximum Special Tax for Undeveloped~~ Developed Property; and Undeveloped Property in the Remainder of CFD No. 2012-01 (IA No. 1);

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then ~~if required to satisfy under the Indenture, a special tax~~ terms of the CFD No. 2012-01 (IA No. 3) RMA, the Special Tax shall be

levied Proportionately on each Assessor's Parcel of ~~taxable property located within the Supplemental Improvement Areas pledged to~~ CFD No. 2012-01 (IA No. 3) ~~Bonds, based on the rate and method of apportionment~~ Developed Property at up to 100% of special tax ~~the Maximum Special Tax for these Supplemental Improvement Areas.~~ Developed Property in CFD No. 2012-01 (IA No. 3);

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then under the terms of the CFD No. 2012-01 (IA No. 3) RMA, the Special Tax shall be levied Proportionately on each Assessor's Parcel of CFD No. 2012-01 (IA No. 3) Undeveloped Property at up to 100% of the Maximum Tax for Undeveloped Property in CFD No. 2012-01 (IA No. 3);

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of non-exempt Public Property or Property Owner Association Property in the Remainder of CFD No. 2012-01 (IA No. 1) at up to the Maximum Special Tax for Non-Residential Property in the Remainder of CFD No. 2012-01 (IA No. 1);

Sixth: If additional monies are needed to satisfy the Special Tax Requirement after the first five steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of non-exempt Public Property or Property Owner Association Property in CFD No. 2012-01 (IA No. 3) at up to the Maximum Special Tax for Non-Residential Property in CFD No. 2012-01 (IA No. 3).

Notwithstanding the above, the CSCDA Program Manager or its designee may, in any Fiscal Year, levy Proportionately less than 100% of the Maximum Special Tax in the first step (above), when (i) the Commission or its designee is no longer required to levy the Special Tax pursuant to the second ~~and third~~ through sixth steps (above) in order to meet the Special Tax Requirement; and (ii) all authorized CFD No. 2012-01 ~~(IA No. 3)~~ Bonds have already been issued or the Commission has covenanted that it will not issue any additional CFD No. 2012-01 ~~(IA No. 3)~~ Bonds (except refunding bonds) to be supported by the Special Tax.

FE. EXEMPTIONS

No Special Tax shall be levied on up to 6.82 ~~acres~~ Acres of Public Property or Property Owner Association Property in CFD No. 2012-01 (IA No. 3). ~~In addition to these 6.82 acres, all of Assessor's Parcel Number 313-021-29 shall be exempted from the Special Tax.~~ Tax-exempt status will be assigned by the CSCDA Program Manager in the chronological order in which property in CFD No. 2012-01 (IA No. 3) becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel in the CFD No. 2012-01 no longer be classified as Public Property or Property Owner Association Property, it will, from that point forward, be subject to the Special Tax.

Prior to sixty (60) days before the issuance of a first series of CFD No. 2012-01 ~~(IA No. 3)~~ Bonds, the CSCDA Program Manager may increase the final number of tax-exempt acres of Public Property ~~or~~ and Property Owner Association Property in CFD No. 2012-01 (IA No. 3) to better reflect the actual tax-exempt acreage within CFD No. 2012-01 (IA No. 3). However, after the issuance of a first series of CFD No. 2012-01 Bonds, Public

Property and Property Owner Association Property that exceed the 6.82 Acre limit shall be taxed as Non-Residential Property under the 6th Step in Section D.

GF. REVIEW/APPEAL PROCESS

Any taxpayer may file a written appeal of the Special Tax on his/her property with CSCDA, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CSCDA Program Manager or its designee shall review the appeal, meet with the appellant if the CSCDA Program Manager deems necessary, and advise the appellant of its determination within sixty (60) days after receipt of the appeal. If the CSCDA Program Manager agrees with the appellant, the CSCDA Program Manager shall make a recommendation to the Commission to eliminate or reduce the Special Tax on the appellant's property or to provide a refund to appellant. The approval of the Commission or its designee must be obtained prior to any such elimination or reduction. If the CSCDA Program Manager disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has thirty (30) days in which to appeal to the Commission by filing a written notice of appeal with the Secretary of the Commission, provided that the appellant is current in his/her payments of the Special Taxes. The second appeal must specify the reasons for the appellant's disagreement with the CSCDA Program Manager's determination. The Secretary of the Commission shall schedule the appeal to be heard before the Commission within sixty (60) days after receipt of the second appeal.

Interpretations may be made by the Commission by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment.

HG. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2012-01 (IA No. 3) may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

IH. PREPAYMENT OF SPECIAL TAX

Under this Rate and Method of Apportionment, any Assessor's Parcel of Taxable Property within CFD No. 2012-01 (IA No. 3) is permitted to prepay the Special Tax. The obligation of the Assessor's Parcel to pay the Special Tax may be fully or partially prepaid and permanently satisfied as described herein only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment.

An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CSCDA Program Manager with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the CSCDA Program Manager shall notify such owner of the prepayment amount of such Assessor's Parcel. The CSCDA Program Manager may charge a reasonable fee for providing this service. If there are Outstanding Bonds, Prepayment must be made not less than forty-five (45) days prior to

the next occurring date that notice of redemption of CFD No. 2012-01 ~~(IA No. 3)~~ Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The following definition applies to this Section ~~H~~:

~~“Buildout” means, for CFD No. 2012-01 (IA No. 3), that all expected building permits for residential and non-residential development to be constructed in CFD No. 2012-01 (IA No. 3) have been issued, as reasonably determined by the CSCDA Program Manager.~~

“CFD Public Facilities” means either ~~\$828,526~~ (i) \$3,000,000 in 2012 dollars, or (ii) shall be determined by the Commission concurrently with a covenant that it will not issue any more CFD No. 2012-01 ~~(IA No. 3)~~ Bonds (other than refunding CFD No. 2012-01 ~~(IA No. 3)~~ Bonds) to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section ~~E~~D.

“Construction Fund” means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

“Future Facilities Costs” means the CFD Public Facilities minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

“Outstanding Bonds” means all Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

1. Prepayment in Full – After Issuance of Bonds

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	<u>Capitalized Interest Credit</u>
Total: equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to the Assessor’s Parcel to be prepaid, and that such Assessor’s Parcel is Taxable Property.

2. For each Assessor's ~~Parcels~~ Parcel of Taxable Property in CFD No. 2012-01 (IA No. 3) to be prepaid, compute the ~~current~~ Maximum Special Tax which could be charged in the current Fiscal Year for ~~the~~ that Assessor's Parcel ~~to be prepaid~~.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the sum of the total estimated Maximum Special Taxes for the entire CFD No. 2012-01 (IA No. 3) based on the ~~Developed Property~~ Maximum Special Taxes which could be charged in the current Fiscal Year on all ~~expected development through Buildout of~~ Assessor's Parcels in CFD No. 2012-01 (IA No. 3) plus the Maximum Special Taxes for the entire CFD No. 2012-01 (IA No. 1) based on the Maximum Special Taxes which could be charged in the current Fiscal Year on all Assessor's Parcels in CFD No. 2012-01 (IA No. ~~3~~ 1), excluding any Assessor's Parcels which have been prepaid, ~~and~~.
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Compute the current Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the amount the CSCDA Program Manager reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of CFD No. 2012-01 (IA No. 3), including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2012-01 (~~IA No. 3~~) Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").

13. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.
14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
15. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").
16. The Prepayment Amount (less the amount computed pursuant to paragraph 12) shall be deposited into the appropriate fund and applied as set forth in the Indenture. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2012-01 (IA No. 3).

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of CFD No. 2012-01 (~~IA No. 3~~) Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CSCDA Program Manager shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the Commission shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property in CFD No. 2012-01 (IA No. 3) plus the amount of Maximum Special Taxes that may be levied on expected Taxable Property at buildout of CFD No. 2012-01 (IA No. ~~3~~1) both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds- through the retirement of such Bonds.

2.- Prepayment in Part

The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (PE - A) \times F + A.$$

These terms have the following meaning:

PP = the partial prepayment

PE = the Prepayment Amount calculated according to Section [H.1](#)

F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.

A = the Administration Fees and Expenses from Section [H.1](#).

The owner of any Assessor's Parcel who desires such prepayment shall notify the CSCDA Program Manager of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid.

With respect to any Assessor's Parcel that is partially prepaid, the Commission shall (i) distribute the funds remitted to it according to Section [H.1](#), and (ii) indicate in the records of CFD No. 2012-01 (IA No. 3) that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section [E.D.](#)

J. TERM OF SPECIAL TAX

The Special Tax shall be levied upon an Assessor's Parcel of Developed Property for a maximum of 40 years, provided however that Special Taxes will cease to be levied in an earlier Fiscal Year if the CSCDA Program Manager has determined that all required interest and principal payments on the CFD No. 2012-01-~~(IA No. 3)~~ Bonds have been paid and the Commission has covenanted that it will not issue any more Bonds (other than refunding Bonds) to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section [E.D.](#)

EXHIBIT A

CERTIFICATE TO AMEND SPECIAL TAX

CSCDA CFD No. 2012-01 (IA No. 3) TAX REDUCTION CERTIFICATE

1. Pursuant to Sections C and D of the Rate and Method of Apportionment, the California Statewide Communities Development Authority (“CSCDA”) hereby reduces the Maximum Special Tax for Developed Property and Undeveloped Property within CFD No. 2012-01 (IA No. 3):

(a) The information in Table 1 relating to the Fiscal Year 2012-13 Maximum Special Tax for Developed Property within CFD No. 2012-01 (IA No. 3) shall be modified to be the following:

Land Use Class	Maximum Special Tax
Residential Property	\$_{[.....]} per dwelling unit
Non-Residential Property	\$_{[.....]} per square foot of Non-Residential Building Square Footage, or \$_{[.....]} per Acre, when applied, whichever is greater

(b) The Fiscal Year 2012-13 Maximum Special Tax for each Assessor’s Parcel of Undeveloped Property shall be \$_{[.....]} per acre.

2. The CSCDA Program Manager shall cause an amended notice of Special Tax lien for CFD No. 2012-01 (IA No. 3) to be recorded reflecting the modifications set forth herein.

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

By: _____ Date: _____

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APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

California Statewide Communities Development Authority
Sacramento, California

California Statewide Communities Development Authority
Community Facilities District No. 2012-01
(Fancher Creek)
Special Tax Bonds, Series 2013A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Statewide Communities Development Authority (the “Authority”) in connection with the issuance by the Authority of \$4,200,000 aggregate principal amount of its Community Facilities District No. 2012-01 (Fancher Creek) Special Tax Bonds, Series 2013A (the “Bonds”) pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 of the State of California (being Sections 53311 et seq. of the Government Code of the State of California, as amended) and an Indenture by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, dated as of February 1, 2013 (the “Indenture”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate, opinions of counsel to the Authority, the Developer and the Trustee, certificates of the Authority, the Developer, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, 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 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. Accordingly, this letter speaks only as of its date and is not intended to, and may not be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. 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 Authority. 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 opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture 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 Indenture and the Tax Certificate

and their enforceability 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, liquidated damages, penalty (including any remedy deemed to constitute a penalty), arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the Rate and Method of Apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel. Our services did not include financial or other non legal advice. 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 special obligations of the Authority, payable solely from the proceeds of the Special Tax and certain funds held under the Indenture.

2. The Indenture has been duly executed and delivered by, and constitutes a valid and binding obligation of, the Authority.

3. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof 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 related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

THE INDENTURE

The following is a brief summary of certain provisions of the Indenture. Additional provisions of the Indenture are summarized in the body of the Official Statement. This summary does not purport to be complete and is qualified in its entirety by reference to the Indenture.

Definitions

Unless the context otherwise requires, the terms defined below shall for all purposes of the Indenture and of any Supplemental Indenture and of the Bonds and of any certificate, opinion, report, request or other document mentioned in the Indenture or in any Supplemental Indenture or in the Bonds have the meanings defined below. The following definitions shall be equally applicable to both the singular and plural forms of any of the terms defined in the Indenture.

“Acquisition Agreement” means that certain Acquisition Agreement, dated as of December 26, 2012, among the Authority, the City and the Developer.

“Acquisition and Construction Fund” means the “City of Fresno Fancher Creek Community Facilities District Acquisition and Construction Fund” established pursuant to the Indenture and maintained by the Trustee.

“Additional Bonds” means Bonds other than the Series 2013A Bonds and that are issued pursuant to the Indenture.

“Administrative Expenses” means the following actual or reasonably estimated costs directly related to the administration of the Improvement Area: the costs of computing the Special Tax and preparing the annual Special Tax collection schedules; the costs of remitting the Special Tax to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the Authority or any designee thereof of complying with arbitrage rebate requirements; the costs to the Authority or any designee thereof of complying with disclosure requirements associated with applicable federal and state securities laws and of the Law; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Tax, the costs of the Authority or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the Authority’s annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the Authority for any other administrative purposes of the Improvement Area, including attorney’s fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Tax.

“Authority” means the California Statewide Communities Development Authority.

“Authorized Signatory” means any member of the Commission of the Authority and any other person as may be designated and authorized to sign on behalf of the Authority pursuant to a resolution adopted thereby.

“Average Annual Debt Service” means, with respect to any Series of Bonds the average over all Bond Years for such Series of the annual debt service from the date of the Bonds to their maturity, including:

- (1) the principal amount of all such Outstanding Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and
- (2) the interest payable on the aggregate principal amount of such Bonds Outstanding in such Bond Year assuming such Bonds are retired as scheduled.

“Bond Year” means the period from September 2 through the following September 1.

“Bonds” means the up to ten million dollars (\$10,000,000) principal amount of special tax bonds of the Authority at any time Outstanding under the Indenture or under any Supplemental Indenture that are executed, issued and delivered in accordance with the provisions of the Indenture or of any Supplemental Indenture and that were authorized at the special election held in the Community Facilities District for the Improvement Area on October 25, 2012. “Serial Bonds” means the Bonds for which no Mandatory Sinking Account Payments are established. “Term Bonds” means the Bonds which are redeemable or payable on or before their specified maturity date or dates from the Mandatory Sinking Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity date or dates.

“Certificate of the Authority” means an instrument in writing signed by an Authorized Signatory.

“Certificate of the City” means an instrument in writing signed by the City Manager or his designee.

“City” means the City of Fresno, California.

“Closing Date” means the date upon which the Bonds are delivered.

“Code” means the Internal Revenue Code of 1986 and the regulations issued thereunder from time to time, and in this regard reference to any particular section of the Code shall include reference to any successor to such section of the Code.

“Commission” means the governing board of the Authority.

“Community Facilities District” means the California Statewide Communities Development Authority Community Facilities District No. 2012-01 (Fancher Creek), City of Fresno, County of Fresno, State of California, a community facilities district duly organized by the Authority and existing in the City under and by virtue of the Law.

“Costs of Issuance Account” means the CSCDA/City of Fresno Fancher Creek Community Facilities District Costs of Issuance Account established pursuant to the Indenture and maintained by the Trustee.

“Debt Service” means, for any period, the sum of (1) the interest payable during such period on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid as scheduled at the times of and in amounts equal to the sum of all Mandatory Sinking Account Payments (but excluding the amount of any such interest funded from the proceeds of the sale of Bonds or investment earnings thereon), plus (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such period, plus (3) the aggregate amount of all

Mandatory Sinking Account Payments required to be deposited in all Sinking Accounts in such period. For purposes of any test for the issuance of Refunding Bonds, Debt Service shall be deemed to include Debt Service on the proposed Refunding Bonds but shall not include Debt Service on any Bonds proposed to be defeased concurrently.

“Developer” means Fancher Creek Properties, LLC, a California limited liability company.

“Development Fees” means the development impact fees to be financed with proceeds of the Bonds.

“Expense Fund” means the CSCDA/City of Fresno Fancher Creek Community Facilities District Expense Fund established pursuant to the Indenture and maintained by the Trustee.

“Federal Securities” means (a) any securities now or hereafter authorized both the interest on and principal of which are guaranteed by the full faith and credit of the United States of America, and (b) any of the following obligations of federal agencies not guaranteed by the United States of America: (1) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (2) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act and bonds of any federal home loan bank established under such act, and (3) stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association or the Federal Home Loan Mortgage Corporation, as and to the extent that such securities or obligations are eligible for the legal investment of Authority funds, together with any repurchase agreements which are secured by any of such securities or obligations that (a) have a fair market value (determined at least daily) at least equal to one hundred two percent (102%) of the amount invested in the repurchase agreement, (b) are in the possession of the Trustee or a third party acting solely as agent for the Trustee who holds a perfected first lien therein, and (c) are free from all third party claims.

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Holder” means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books maintained by the Trustee pursuant to the Indenture.

“Improvement Area” means Improvement Area 1 of the California Statewide Communities Development Authority Community Facilities District No. 2012-01 (Fancher Creek), City of Fresno, County of Fresno, State of California, a portion of the Community Facilities District designated as such improvement area by the Authority pursuant to the Law.

“Improvements” means the public capital improvements authorized to be financed under the Community Facilities District and to which the Improvement Area is authorized to contribute, as more particularly described in the Resolution of Formation.

“Indenture” means the Indenture and all Supplemental Indentures.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and of recognized national reputation as a verification agent, 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 a substantial financial interest, direct or indirect, in the operations of the Authority; and
- (3) is not connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority.

“Interest Payment Date” means March 1 and September 1 of each year, commencing September 1, 2013, as well as any date on which the Bonds are redeemed prior to their maturity.

“Law” means the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 et seq. of the Government Code of the State of California) and all laws amendatory thereof or supplemental thereto.

“Legal Investments” means any securities in which funds of the Authority may be legally invested in accordance with the applicable law in effect at the time of such investment and in accordance with the then current investment policy of the Authority as determined by the Commission, including without limitation the California Asset Management Program pooled investment fund.

“Lien Amount” means, with respect to any parcel subject to the lien of the Special Tax, the sum of (A) the aggregate principal amount of the Bonds attributable to such parcel plus (B) the aggregate principal amount of bonds, notes or other evidences of indebtedness other than the Bonds then outstanding and payable from assessments or reassessments to be levied on such parcel, plus (C) a portion of the aggregate principal amount of bonds, notes or other evidences of indebtedness issued under the Law and payable at least partially from Special Tax to be levied on the parcel (except to the extent such Special Tax are made expressly subordinate to the Special Tax securing Bonds) (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 Tax levied for the Other Mello-Roos Bonds on the parcel and the denominator of which is the total amount of Special Tax 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 Tax 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.

“Mandatory Sinking Account Payments” means the payments required by the Indenture and by all Supplemental Indentures to be deposited in all Sinking Accounts established for the payment of all Term Bonds.

“Maximum Annual Debt Service” means, with respect to any Series of Bonds, the maximum sum obtained for any Bond Year prior to the final maturity of Bonds by totaling the following for each Bond Year:

- (1) The amount of all such Outstanding Bonds payable in such Bond Year;
- (2) The principal amount of any such Bonds scheduled to be called and redeemed in such Bond Year; and

(3) The interest payable on the aggregate principal amount of such Outstanding Bonds in such Bond Year if such Outstanding Bonds are retired as scheduled.

“Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Other Improvement Area” means an improvement area located within the Community Facilities District other than the Improvement Area.

“Opinion of Counsel” means a written opinion of counsel retained or employed by the Authority, subject to additional requirements, as specified in the Indenture, if the Authority changes its counsel after the issuance of the Bonds.

“Outstanding,” when used as of any particular time with reference to Bonds, means (excluding bonds owned or held for the account of the Authority) all Bonds except:

- (1) Bonds cancelled and destroyed by the Trustee or delivered to the Trustee for cancellation and destruction;
- (2) Bonds paid or deemed to have been paid under the Indenture; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the Authority and authenticated and delivered by the Trustee pursuant to the Indenture.

“Prepayment Fund” means the CSCDA/City of Fresno Fancher Creek Community Facilities District Prepayment Fund established pursuant to the Indenture and maintained by the Trustee.

“Principal Corporate Trust Office” means the corporate trust office of the original Trustee in Los Angeles, California, at which at any particular time corporate trust business shall be administered, or such other office as it shall designate; and any such office designated by any successor Trustee, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Rate and Method” means the “Rate and Method of Apportionment For California Statewide Communities Development Authority Community Facilities District No. 2012-1 Improvement Area No. 1 Fancher Creek Business Park” adopted by the Commission as part of the Resolution of Formation, as the same may be amended from time to time.

“Rebate Fund” means the CSCDA/City of Fresno Fancher Creek Community Facilities District Rebate Fund established pursuant to the Indenture (to be maintained by the Treasurer of the Authority).

“Redemption Fund” means the CSCDA/City of Fresno Fancher Creek Community Facilities District Redemption Fund established pursuant to the Indenture and maintained by the Trustee.

“Refunding Bonds” means Bonds issued under both Section 53362 and related provisions of the Law, and under the Indenture.

“Required Bond Reserve” means, for each Series of Bonds, as of any date of calculation, an amount equal to the lesser of (a) Maximum Annual Debt Service, (b) 10% of the proceeds (within the meaning of Section 148 of the Code) of such Series of Bonds or (c) 125% of Average Annual Debt Service on such Series of Bonds; and means for all Outstanding Bonds, the sum of the Required Bond Reserve for each Series of Outstanding Bonds.

“Reserve Fund” means the CSCDA/City of Fresno Fancher Creek Community Facilities District Reserve Fund established pursuant to the Indenture and maintained by the Trustee.

“Resolution of Formation” means Resolution No. 12R-16, adopted by the Commission on October 25, 2012.

“Series” means all Bonds of like designation authenticated and delivered on original issuance at the same time pursuant to the Indenture or a Supplemental Indenture and any Bond or Bonds thereafter delivered in lieu of or as substitution for any of such Bonds pursuant to the Indenture.

“Series 2013A Bonds” means the special tax bonds of such name of the Authority at any time Outstanding that are executed, issued and delivered in accordance with the Indenture.

“Special Tax” means the special tax levied within the Community Facilities District to fund the Special Tax Requirement, including Special Tax within the Improvement Area and any Other Improvement Area designated as a Supplemental Improvement Area pursuant to this Indenture or any Supplemental Indenture.

“Special Tax Fund” means the California Statewide Communities Development Authority Community Facilities District No. 2012-01 (Fancher Creek) Special Tax Fund established pursuant to the Indenture and maintained by the Trustee.

“Special Tax Requirement” has the meaning given in the Rate and Method.

“Special Tax Revenues” means the proceeds of the Special Tax received by or on behalf of the Community Facilities District, including any prepayments thereof, interest and penalties thereon, and proceeds of the redemption or sale of property sold as a result of the foreclosure of the lien of the Special Tax, which shall be limited to the amount of said lien and interest and penalties thereon.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Supplemental Improvement Area” means any Other Improvement Area that has been specifically designated by this Indenture or any Supplemental Indenture as additional collateral for the Bonds. Any designated Supplemental Improvement Area shall be retained as additional collateral and security for the Bonds until the conditions set forth in the Indenture or any Supplemental Indenture are satisfied. California Statewide Communities Development Authority Community Facilities District No. 2012-01, Improvement Area 3 (Fancher Creek) is designated as additional collateral for the Series 2013A Bonds until released pursuant to the Indenture.

“Supplemental Indenture” means any indenture then in full force and effect that has been made and entered into by the Authority and the Trustee, amendatory of or supplemental to the Indenture; but only to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means the certificate delivered upon the issuance of the Bonds relating to Section 148 of the Code.

“Taxable Property” has the meaning given in the Rate and Method.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character set forth in the Indenture, at its Principal Corporate Trust Office, or any other bank, national banking association or trust company having a corporate trust office in Los Angeles or San Francisco, California, which may at any time be substituted in its place as provided in the Indenture at its Principal Corporate Trust Office.

“Sinking Account” means the account referred to by that name in the Redemption Fund established pursuant to the Indenture.

“Written Request of the Authority” means an instrument in writing signed by an Authorized Signatory.

Equal Security

In consideration of the acceptance of the Bonds by the Holders thereof, the Indenture shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, sold, executed, authenticated and delivered under the Indenture, subject to the agreements, conditions, covenants and terms contained in the Indenture; and all agreements, conditions, covenants and terms contained in the Indenture required to be observed or performed by or on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Holders without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number thereof or the time of execution, authentication or delivery thereof or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

Various Provision Relating to the Bonds

Authentication by the Trustee

Only those Bonds that bear thereon a certificate of authentication manually executed by the Trustee shall be entitled to any benefit, protection or security under the Indenture or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authorized, sold, executed, authenticated and delivered under the Indenture and are entitled to the benefits of the Indenture.

Transfer and Exchange of Bonds

The Trustee shall keep at its Principal Corporate Trust Office sufficient books for the transfer and exchange of the Bonds, which books shall at all times during normal business hours with reasonable prior notice be open to inspection by the Authority or by any Holder. Any Bond may, in accordance with its terms, be transferred or exchanged on such books by the person in whose name it is registered, in person or by his duly authorized attorney, upon payment by the Holder requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form acceptable to the Trustee. Whenever any Bond or Bonds

shall be surrendered for transfer or exchange, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same maturity date and of authorized denominations for the same aggregate principal amount, except that neither the Authority nor the Trustee shall be required (i) to transfer or exchange any Bonds during the fifteen-day period prior to the selection of any Bonds for redemption, or (ii) to transfer or exchange any Bond which has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part.

Mutilated, Destroyed, Stolen or Lost Bonds

In case any Bond shall become mutilated in respect of the body of such Bond or shall be believed by the Authority to have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Authority and the Trustee and upon the surrender of such mutilated Bond at the Principal Corporate Trust Office of the Trustee, or upon the receipt of evidence satisfactory to the Authority and the Trustee of such destruction, theft or loss and upon receipt of indemnity satisfactory to the Authority and the Trustee, and also upon payment of all expenses incurred by the Authority and the Trustee in the premises, the Authority shall execute and the Trustee shall authenticate and deliver at its Principal Corporate Trust Office a new Bond or Bonds of the same maturity date for the same aggregate principal amount in authorized denominations of like tenor and date and bearing such numbers and notations as the Trustee shall determine in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, stolen or lost.

If any such destroyed, stolen or lost Bond shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the Trustee upon receipt of like proof, indemnity and payment of expenses.

Any replacement Bonds issued shall be entitled to equal and proportionate benefits with all other Bonds issued under the Indenture, and the Authority and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued under the Indenture or for the purpose of determining any percentage of Bonds Outstanding under the Indenture, but both the original and the replacement Bond shall be treated as one and the same.

Use of Depository for Bonds

The Depository Trust Company, in New York, New York, has been appointed depository for the Bonds, and the Bonds will be initially registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, and will be initially issued as one Bond for each of the maturities in the principal amounts set forth in the Indenture, and registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

- To any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or to any substitute depository designated pursuant to the Indenture (a "substitute depository"); provided, that any successor of Cede & Co., as nominee of The Depository Trust Company, or any substitute depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;
- To any substitute depository not objected to by the Trustee, upon (1) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the Authority to substitute another depository for The Depository Trust Company or its successor because The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as

depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

- To any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the Authority to remove The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository.

In the case of any transfer pursuant to one of the first two of the bulleted paragraphs, immediately above, upon receipt of the Bonds by the Trustee, together with a Written Request of the Authority to the Trustee, a new Bond for each maturity date of the Bonds shall be executed by the Authority and authenticated and delivered by the Trustee in the aggregate principal amount of the Bonds so received, in such denominations and registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Written Request of the Authority. In the case of any transfer pursuant to the third of the bulleted paragraphs, immediately above, upon receipt of the Bonds by the Trustee, together with a Written Request of the Authority to the Trustee, a new Bond or Bonds for each maturity date of the Bonds shall be executed by the Authority and authenticated and delivered by the Trustee in the aggregate principal amount of the Bonds so received, in such denominations and registered in the names of such persons as are requested in such Written Request of the Authority, subject to the \$5,000 minimum denomination and the maximum amount to mature in any one year, and thereafter, the Bonds shall be transferred pursuant to the Indenture; provided, that the Trustee shall not be required to deliver such new Bonds on a date prior to sixty (60) days after receipt of such Written Request of the Authority.

The Authority and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Authority or the Trustee; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Bonds, and neither the Authority nor the Trustee shall have any responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party, including The Depository Trust Company or its successor (or any substitute depository or its successor), except to The Depository Trust Company or its successor (or any substitute depository or its successor) as a Holder of the Bonds.

So long as any Bonds are registered in the name of Cede & Co. or its registered assigns, the Authority and the Trustee shall cooperate with Cede & Co., as sole Holder, or its registered assigns, in effecting payment of the interest on and principal of and redemption premiums, if any, on such Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

Refunding Bonds

The Authority may at any time, after the issuance and delivery of the Bonds, issue (and the Trustee shall upon a Written Request of the Authority authenticate and deliver) Refunding Bonds payable from the Special Tax, but only subject to the following specific conditions, which are conditions precedent to the issuance of any such Refunding Bonds:

- (a) The Authority shall have delivered or caused to be delivered to the Trustee the following:
 - (i) A copy of the resolution adopted by the Commission approving the Supplemental Indenture required by the Indenture, and the execution and delivery by the Authority of such

Supplemental Indenture, duly certified by the Authority Secretary to have been duly adopted by the Commission and to be in full force and effect on the date of such certification;

(ii) A Written Request of the Authority directing that the Trustee authenticate the Refunding Bonds and containing instructions as to the delivery of the Refunding Bonds;

(iii) The proceeds of sale of the Refunding Bonds;

(iv) A Certificate of the Authority stating that the Authority is not in default in the performance of any of the agreements, conditions, covenants or terms contained in the Indenture;

(v) An original, executed counterpart of the Supplemental Indenture required by the Indenture;

(vi) Directions as to the use of proceeds of the Refunding Bonds to refund Bonds Outstanding under the Indenture or to fund capitalized interest; and

(vii) An Opinion of Counsel nationally recognized in the field of municipal finance addressing the validity and tax exempt status of the Refunding Bonds, subject to said exceptions as may be reasonable and appropriate.

(b) The issuance of the Refunding Bonds shall have been duly authorized under all applicable laws, and the issuance of the Refunding Bonds shall have been provided for by a Supplemental Indenture duly adopted by the Authority which shall specify the following:

(i) The use of proceeds of the Refunding Bonds;

(ii) The authorized principal amount of the Refunding Bonds;

(iii) The date and the maturity date or dates of the Refunding Bonds; provided that all such Refunding Bonds of like maturity shall be identical in all respects, except as to number, and fixed serial maturities or Mandatory Sinking Account Payments, or any combination thereof, shall be established to provide for the retirement of all such Refunding Bonds on or before their respective maturity dates;

(iv) The authorized denominations of the Refunding Bonds to refund Bonds Outstanding under the Indenture or to fund capitalized interest;

(v) The redemption premiums, if any, and the redemption terms, if any, for the Refunding Bonds;

(vi) The amount and due date of each Mandatory Sinking Account Payment, if any, for the Refunding Bonds;

(vii) The amount, if any, of interest to be paid on the Refunding Bonds from the proceeds thereof;

(viii) The form of the Refunding Bonds; and

(ix) Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

Bond Proceeds

Upon the receipt of payment of the proceeds of sale of the Series 2013A Bonds when the same shall have been duly sold by the Authority, the Trustee shall establish and maintain the following funds and accounts:

The Reserve Fund

The “CSCDA/City of Fresno Fancher Creek Community Facilities District Reserve Fund,” (the “Reserve Fund”) into which shall be deposited an amount equal to the Required Bond Reserve. Subject to the Indenture, moneys in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds in the event that the moneys in the Redemption Fund are insufficient therefor, and for that purpose the Trustee shall withdraw from the Reserve Fund, for deposit in the Redemption Fund, moneys necessary for such purpose. Amounts in the Reserve Fund shall only be withdrawn to pay principal and interest on the Bonds; provided, that if the amount on deposit in the Reserve Fund is less than the Required Bond Reserve, the Trustee shall notify the Authority of the amount needed to replenish the Reserve Fund to the Required Bond Reserve and the Authority shall collect the deficiency by including it in the next annual Special Tax levy, to the extent permitted by law and as necessary.

The Costs of Issuance Account

The “CSCDA/City of Fresno Fancher Creek Community Facilities District Costs of Issuance Account,” (the “Costs of Issuance Account”) into which account shall be deposited the amount shown above. All money in the Costs of Issuance Account shall be applied by the Trustee in the manner provided by law for payment of Costs of Issuance as directed by the Written Request of the Authority; provided, that any money remaining in the Costs of Issuance Account after the completion of the payment of the Costs of Issuance (but not later than as permitted in the Indenture in respect of the Series 2013A Bonds) shall be withdrawn by the Trustee from the Costs of Issuance Account and deposited by the Trustee in the Special Tax Fund, and the Costs of Issuance Account shall be closed.

The Acquisition Fund

The “CSCDA/City of Fresno Fancher Creek Community Facilities District Acquisition and Construction Fund” (the “Acquisition and Construction Fund”), into which shall be deposited the amounts required to be deposited therein by the provisions of the Indenture. All money in the Acquisition and Construction Fund shall be applied by the Trustee in the manner provided in the Law and in accordance with the following paragraph for financing the acquisition and construction of the Improvements (or for making reimbursements to the Developer for such costs theretofore paid by it), including payment of costs incidental to or connected with financing such acquisition and construction, or for the payment of Development Fees, or for the repayment of funds advanced to or for the Community Facilities District.

Amounts in the Acquisition and Construction Fund shall be applied by the Trustee solely as directed in a Disbursement Request of the City, as defined in and pursuant to the Acquisition Agreement among the Authority, the City and the Developer. Any amount remaining in the Acquisition and Construction Fund after the completion of its purpose, which completion shall be conclusively evidenced by a Certificate of the City, shall be transferred by the Trustee to the Special Tax Fund, except that any amounts remaining in the Acquisition and Construction Fund after all Series 2013A Bonds and all Additional Bonds have been paid and retired shall be deposited in the Expense Fund.

Special Tax Revenues

Special Tax Fund

The Trustee shall establish and maintain a fund to be known as the “CSCDA/City of Fresno Fancher Creek Community Facilities District Special Tax Fund” (the “Special Tax Fund”), which fund shall be held and maintained in trust by the Trustee, and the Authority agrees and covenants that all Special Tax collections (including any prepayments thereof and including any amounts, net of any costs of collection and enforcement, received as a result of foreclosure of the lien securing the Special Tax or other actions by the Authority to collect delinquent Special Tax), when and as received, shall be immediately transferred to the Trustee, and the Trustee agrees and covenants to deposit all such transfers in the Special Tax Fund, and all money in the Special Tax Fund shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture.

Pledge of Special Tax Revenues

Except for money held in the Acquisition and Construction Fund, the Prepayment Fund, the Expense Fund and the Rebate Fund, all of the Special Tax, all funds and accounts established to hold Special Tax proceeds under the Indenture, and any investment earnings thereon, are pledged to, and shall constitute a trust fund for, the payment of the principal of and interest on the Bonds. So long as the principal of and interest on the Bonds remains unpaid, the Special Tax, the funds and accounts established to hold Special Tax proceeds, and any investment earnings thereon shall not be used for any other purpose, except as otherwise permitted by the Indenture, and shall be held in trust for the benefit of the owners of the Bonds and shall be applied pursuant to the Indenture. The Prepayment Fund is pledged for the payment of principal and redemption premiums, if any, on the Bonds in accordance with the Indenture; but is pledged to pay interest on the Bonds only to the extent of accrued interest included in the calculations of the prepayment amounts under the Rate and Method and in accordance with the Indenture.

Covenants of the Authority

Punctual Payment and Performance

The Authority will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond in strict conformity with the terms of the Law and the Indenture and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture and in the Bonds required to be observed and performed by it.

Against Indebtedness and Encumbrances

The Authority will not issue any evidences of indebtedness payable from the proceeds of the Special Tax except as provided in the Indenture, and will not create, nor permit the creation of, any pledge, lien, charge or other encumbrance upon any money in the Special Tax Fund other than as provided in the Indenture; provided, that the Authority may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose of the Community Facilities District so long as any payments due thereunder shall be subordinate in all respects to the use of the proceeds of the Special Tax as provided in the Indenture.

Against Federal Income Taxation

The Authority will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the Authority will not directly or indirectly use or make any

use of the proceeds of the Bonds or any other funds of the Authority or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code or “private activity bonds” subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are “federally guaranteed” as provided in Section 149(b) of the Code; and to that end the Authority, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code; provided, that if the Authority shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under this covenant is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the Authority may rely conclusively on such opinion in complying with the provisions of this covenant. In the event that at any time the Authority is of the opinion that for purposes of this covenant it is necessary to restrict or limit the yield on the investment of any money held by the Treasurer of the Authority or the Trustee under the Indenture or otherwise the Authority shall so instruct the Treasurer of the Authority or the Trustee, as the case may be, in writing, and the Treasurer of the Authority or the Trustee, as the case may be, shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Authority will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation shall survive payment in full or defeasance of the Bonds, and to that end, there is established in the treasury of the Authority a fund to be known as the “CSCDA/City of Fresno Fancher Creek Community Facilities District Rebate Fund” (the “Rebate Fund”) to be held in trust and administered by the Treasurer of the Authority. The Authority will comply with the provisions of the Tax Certificate with respect to making deposits in the Rebate Fund, and all money held in the Rebate Fund is pledged to provide payments to the United States of America as provided in the Indenture and in the Tax Certificate and no other person shall have claim to such money except as provided in the Tax Certificate.

The provisions of this covenant shall survive the defeasance of the Bonds.

Payment of Claims

The Authority will pay and discharge any and all lawful claims which, if unpaid, might become payable from the proceeds of the Special Tax or any part thereof or upon any funds in the hands of the Trustee allocated to the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, or which might impair the security of the Bonds.

Expense Budgets

The Authority will, on or before September 2 in each year, prepare and approve a budget setting forth the estimated Administrative Expenses for the period from such September 2 through the next succeeding September 1. Any budget approved in accordance with this covenant may be amended at any time.

Accounting Records; Financial Statements and Other Reports

The Authority will keep, and pursuant to the Indenture requires the Trustee to keep, appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Special Tax and of the proceeds of the Bonds, which accounting records shall at all times during business hours with reasonable prior notice be subject to the inspection of any Holder (or his representative authorized in writing) and

(upon the prior written consent of the Authority) of any investment banker, security dealer or other person interested in the Bonds.

The Authority will prepare annually, no later than January 1, a summary report showing in reasonable detail the proceeds of the Special Tax levied and collected and the Administrative Expenses for the preceding Fiscal Year and containing a general statement of the physical condition of the Improvements. The Authority will furnish a copy of such summary report without charge to any Holder (or his representative authorized in writing) and to any investment banker, security dealer or other person interested in the Bonds requesting a copy thereof.

The Authority will prepare annually not later than October 31 of each year and file with the California Debt and Investment Advisory Commission by mail, postage prepaid, all necessary information required to be filed under the Law(see Section 53359.5), including:

- The principal amount of the Outstanding Bonds;
- The balance in the Reserve Fund;
- The balance in the Redemption Fund constituting capitalized interest, if any;
- The number of parcels securing the Bonds which are delinquent with respect to their Special Tax payments, the amount that each delinquent parcel is delinquent, the total amount of Special Tax due on the delinquent parcels, the length of time that each delinquent parcel has been delinquent, when foreclosure was commenced for each delinquent parcel, the total number of foreclosure parcels for each date specified, and the total amount of tax due on the foreclosure parcels for each date specified;
- The balance in the Acquisition and Construction Fund;
- The assessed value of all parcels subject to the levy of the Special Tax to repay the Bonds, as shown on the most recent equalized assessment roll, the date of assessed value reported, and that the information comes from the County Assessor's Office of the County of Fresno;
- The total amount of Special Tax due, the total amount of unpaid Special Tax, and whether the Special Tax are paid under the County's Teeter Plan; and
- Contact information for the Authority official providing the information.

Additionally, the Authority will notify the California Debt and Investment Advisory Commission by mail, postage prepaid, within ten (10) days if the Authority or the Trustee fails to pay any interest on or principal of any of the Bonds on any scheduled payment date.

Protection of Security and Rights of Holders

The Authority will preserve and protect the security of the Bonds and the rights of the Holders and will warrant and defend their rights against all claims and demands of all persons.

Payment of Governmental Charges

The Authority will pay and discharge all taxes or payments in lieu of taxes, assessments and other governmental charges or liens that may be levied, assessed or charged upon the Improvements or any part thereof promptly as and when the same shall become due and payable, except that the Authority shall not

be required to pay any such governmental charges so long as the application or validity thereof shall be contested in good faith and the Authority shall have set aside reserves to cover such charges.

Levy and Collection of the Special Tax

The Authority, so long as any Bonds are Outstanding, will annually levy the Special Tax against all Taxable Property in the Improvement Area and any Supplemental Improvement Area and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indenture, and which in any event will be sufficient to pay the interest on and principal of and all Mandatory Sinking Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to pay all current Administrative Expenses as they become due and payable in accordance with the provisions and terms of the Indenture. The Special Tax shall be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as otherwise provided in the following covenant and in the Law, shall be subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes.

Foreclosure of Special Tax Liens

On or before October 1 of each year, the Authority shall review the public records of the County of Fresno relating to the collection of the Special Tax in the Improvement Area and in any Supplemental Improvement Area in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and on the basis of such review the Authority shall, not later than December 1 of such year, institute foreclosure proceedings as authorized by the Law against all parcels that are delinquent in the payment of any amount of such Special Tax in order to enforce the lien of all delinquent installments of the Special Tax, and will diligently prosecute and pursue the foreclosure proceedings to judgment and sale; provided that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Law.

Continuing Disclosure Certificate

The Authority will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the Authority and dated the date of the execution, authentication and initial delivery of the Bonds issued under the Indenture, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and notwithstanding any other provision of the Indenture, failure of the Authority to comply with such Continuing Disclosure Certificate shall not be considered a default under the Indenture; provided, that any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its continuing disclosure obligations under the Indenture.

Further Assurances

The Authority will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Holders of the rights and benefits provided in the Indenture.

The Trustee

The Bank of New York Mellon Trust Company, N.A. at its Principal Corporate Trust Office is Trustee for the purpose of receiving all money which the Authority is required to transfer to it under the

Indenture and for applying and using such money as provided in the Indenture for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds. The Authority agrees that it will at all times maintain a Trustee having a corporate trust office in Los Angeles or San Francisco, California.

The Authority may remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided, that any such successor shall be a bank, national banking association or trust company doing business and having a corporate trust office in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by a federal or state banking authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by giving notice of such resignation by mail pursuant to the Indenture to the Holders, and upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing having the qualifications required. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed by the Authority and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Indenture.

Liability of the Trustee

The recitals of facts, agreements and covenants contained in the Indenture and in the Bonds shall be taken as statements, agreements and covenants of the Authority, and the Trustee does not assume any responsibility for the correctness of the same and does not make any representation as to the sufficiency or validity thereof or of the Bonds or of the Special Tax, or as to the financial or technical feasibility of the Improvements, and shall not incur any responsibility in respect thereof other than in connection with the rights and obligations expressly assigned to or imposed upon it in the Indenture or in the Bonds, and shall not be liable in connection with the performance of its duties under the Indenture except for its own negligence or willful misconduct. The Trustee shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, and no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability for the performance of its duties under the Indenture, or in the exercise of any of its rights or powers under the Indenture.

The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it under the Indenture by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Indenture, but the Trustee shall not be answerable for the negligence or misconduct of any such attorney, agent, receiver or certified public accountant selected by it with due care.

The Trustee shall perform only those duties expressly set forth in the Indenture and no implied duties or obligations shall be read into the Indenture against the Trustee.

The Trustee shall not have any responsibility with respect to any information, statement or recital contained in any official statement, offering memorandum or any other disclosure material prepared or distributed by the Authority with respect to any of the Bonds.

The Trustee agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority or the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority and the City agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

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 Section 7.01 shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

The Trustee shall hold any financial statements of the Authority and City solely as an accommodation to the Bondholders and shall have no duty or obligation to review such financial statements.

The Trustee shall not be responsible for or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

Notice to the Trustee

The Trustee shall be protected in acting upon any Bond, Certificate of the Authority, consent, notice, opinion, report, resolution, Written Request of the Authority or other document or paper believed by it to be genuine and to have been signed or presented by the proper party or parties. Each such Bond, Certificate of the Authority, consent, notice, opinion, report, resolution, Written Request of the Authority or other document or paper shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. The Trustee may consult with counsel, including, without limitation, counsel to the Authority, with regard to legal questions, and the opinion of

such counsel shall be full and complete authorization and protection with respect to any action taken or suffered in good faith and in accordance therewith.

Whenever in the administration of its rights and obligations the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively established or proved by a Certificate of the Authority, which shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, and on which the Trustee may conclusively rely, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Amendment or Supplement to the Indenture

Amendment or Supplement by Consent of Holders

The Indenture and the rights and obligations of the Authority and of the Holders may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the Authority and the Trustee, which Supplemental Indenture shall become binding when the written consents of the Holders of sixty percent (60%) or more in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided below, are filed with the Trustee. No such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Authority to pay the interest on or principal of or Mandatory Sinking Account Payment for or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency and from the funds provided in the Indenture without the express written consent of the Holder of such Bond, or (2) permit the issuance by the Authority of any other obligations payable from the proceeds of the Special Tax except as provided in the Indenture, or jeopardize the ability of the Authority to levy and collect the Special Tax, or (3) reduce the percentage of Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto.

Amendment or Supplement Without Consent of Holders

The Indenture and the rights and obligations of the Authority and of the Holders may also be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the Authority and the Trustee, which Supplemental Indenture shall become binding upon execution without the prior written consent of any Holders, but only to the extent permitted by law and after receiving an approving Opinion of Counsel and only for any one or more of the following purposes:

- To add to the agreements and covenants required to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority which shall not (in the opinion of the Authority) adversely affect the interests of the Holders, or to surrender any right or power reserved to or conferred upon the Authority which shall not (in the opinion of the Authority) adversely affect the interests of the Holders;
- To make such provisions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the Authority may deem desirable or necessary and not inconsistent with the Indenture and which shall not (in the opinion of the Authority) adversely affect the interests of the Holders;

- To authorize the issuance under and subject to the Law of any refunding Bonds for any of the Bonds and to provide the conditions and terms under which such refunding bonds may be issued subject to the Indenture;
- To make such additions, deletions or modifications as may be necessary or appropriate to insure exclusion from gross income for purposes of federal income taxation of the interest on the Bonds;
- To make such additions, deletions or modifications as may be necessary or appropriate to maintain any then current rating on the Bonds; or
- To make such additions, deletions or modifications as may be necessary or appropriate to effectuate amendments to the Rate and Method or the rate and method for the Supplemental Improvement Area in the form attached to the Indenture.

Disqualified Bonds

Bonds owned or held for the account of the Authority shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Indenture, and shall not be entitled to consent to or take any other action provided for in the Indenture.

Endorsement or Replacement of Bonds After Amendment or Supplement

After the effective date of any action taken as above provided, the Authority may determine that the Bonds may bear a notation by endorsement in form approved by it as to such action, and in that case upon demand of the Holder of any Bond Outstanding on such effective date and presentation of his Bond for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Bond Outstanding on such effective date such new Bonds shall, upon surrender of such Outstanding Bonds, be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Holder, for Bonds then Outstanding.

Amendment or Supplement by Mutual Consent

The provisions of the Indenture shall not prevent any Holder from accepting any amendment or supplement as to any particular Bonds held by him; provided, that due notation thereof is made on such Bonds.

Remedies of Holders

Remedies

Any Holder shall have the right for the equal benefit and protection of all Holders similarly situated:

- by mandamus or other suit or proceeding at law or in equity to enforce his rights against the Authority, its Commission, or any of the officers or employees of the Authority, and to compel the Authority, its Commission, or any such officers or employees to perform and carry out their duties under the Law and the agreements and covenants with the Holders contained in the Indenture;

- by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Holders; or
- by suit in equity upon the nonpayment of the Bonds to require the Authority, its Commission or its officers and employees to account as the trustee of an express trust.

Non-waiver

Nothing in the Indenture or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon redemption prior to maturity from the proceeds of the Special Tax and the other funds as provided in the Indenture, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Indenture and in the Bonds.

A waiver of any default or breach of duty or contract by any Holder shall not affect any subsequent default or breach of duty or contract and shall not impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right and remedy conferred upon the Holders by the Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to any Holder, the Authority and such Holder shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Holders by the Indenture is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

Defeasance

Discharge of the Bonds.

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated therein and in the Indenture, then all agreements, covenants and other obligations of the Authority to the Holders of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall deposit in the Acquisition Account as defined in the Acquisition and Construction Fund all money or securities held by it pursuant to the Indenture which are not required for the payment of the interest on and principal of and redemption premiums, if any, on the Bonds.

Any Outstanding Bonds shall on the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the preceding paragraph if there shall be on deposit with the Trustee money which is sufficient to pay the interest due on such Bonds on such date and the principal and redemption premiums, if any, due on such Bonds on such date.

Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed above if (1) in case any of the Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have agreed to mail pursuant to the Indenture a notice of redemption to the respective Holders of all such Outstanding Bonds and to the securities depositories or securities information services selected by it pursuant to the Indenture, (2) there shall have been deposited with an escrow agent or the Trustee either money in an amount which shall be sufficient or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or municipal obligations which have been defeased with Federal Securities and which are rated in the highest rating category by either Moody's or Standard & Poor's, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by a report of an Independent Certified Public Accountant or nationally recognized, independent municipal finance consultant, on file with the Authority and the Trustee, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding ninety (90) days, the Authority shall have agreed to mail pursuant to the Indenture a notice to the Holders of such Bonds and to the securities depositories and securities information services selected by it pursuant to the Indenture that the deposit required above has been made with such escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity dates or redemption dates, as the case may be, upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Unclaimed Money.

Anything contained in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or any interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds or interest thereon became due and payable, shall be repaid by the Trustee to the Authority as its absolute property free from trust for deposit in the Acquisition Account as defined in the Acquisition Agreement and for use in accordance with the Law, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall look only to the Authority for the payment of such Bonds and interest thereon; provided, that before the Trustee shall be required to make any such repayment the Authority shall mail pursuant to the Indenture a notice to the Holders of all Outstanding Bonds and to such securities depositories and securities information services selected by it pursuant to the Indenture that such money remains unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the Authority for deposit in the Acquisition Account as defined in the Acquisition Agreement.

Miscellaneous

Liability of Authority Limited to Proceeds of the Special Tax

Notwithstanding anything contained in the Indenture, the Authority shall not be required to advance any money derived from any source of income other than the proceeds of the Special Tax and the other funds as provided in the Indenture for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

The Bonds are special tax obligations of the Authority and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax and such other funds, and the Authority is not obligated to pay them except from the proceeds of the Special Tax and such other funds. The general funds and assets of the Authority are not liable and the full faith and credit of the Authority is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the Authority or any of its income or receipts except the proceeds of the Special Tax and such other funds as provided in the Indenture, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the Authority. The Bonds do not constitute an indebtedness of the Authority within the meaning of any constitutional or statutory debt limitation or restriction, and neither the Commission nor the Authority nor any officer or employee thereof shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds otherwise than from the proceeds of the Special Tax and the other funds as provided in the Indenture.

Execution of Documents by Holders

Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Holders may be in one or more instruments of similar tenor, and may be executed by Holders in person or by their attorneys duly authorized in writing. The fact and date of the execution by any Holder or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer. The ownership of Bonds and the amount, maturity, number and date of holding the same shall be proved by the registration books required to be kept by the Trustee pursuant to the Indenture.

Any declaration, request or other instrument or writing of the Holder of any Bond shall bind all future Holders of such Bond with respect to anything done or suffered to be done by the Authority in good faith and in accordance therewith.

Deposit and Investment of Moneys in Funds

All money held by the Trustee in any fund established in the Indenture shall be deposited by the Trustee in Legal Investments at the written direction of the Authority, and shall be secured at all times by such obligations as are required by law to the fullest extent required by law. All money held by the Trustee in the Redemption Fund, Expense Fund and Acquisition and Construction Fund shall be invested by the Trustee in Legal Investments upon the written direction of the Authority. In the absence of a written investment direction of the Authority, the Trustee shall invest such moneys in a taxable money

market portfolio composed of or fully secured by U.S. government securities; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction of the Authority specifying a specific money market fund and, if no such written direction of the Authority is so received, the Trustee shall hold such moneys uninvested. The Trustee may rely upon any investment direction from the Authority as a certification to the Trustee that such investment constitutes a Legal Investment. The Trustee (or any of its affiliates) may act as principal or agent or as sponsor, advisor or manager in connection with the making of any investment by the Trustee and may impose its customary charges therefor, and the Trustee shall not be responsible for any loss suffered in connection with any investment made in accordance with these provisions.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law; provided, that the Trustee will furnish the Authority periodic cash transaction statements which include details for all investment transactions made by the Trustee under the Indenture.

All interest received on any such money so deposited or invested shall (subject to the Authority's covenant to preserve the tax-exempt status of the Bonds) be retained within the fund from which the deposit or investment was made, and all losses on any such money so deposited or invested shall be borne by the fund from which the deposit or investment was made.

Waiver of Personal Liability

No member of the Authority Commission or officer or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, but nothing contained in the Indenture shall relieve any member of the Authority Commission or officer or employee of the Authority from the performance of any official duty provided by the Indenture or by the Law or by any other applicable provisions of law.

Governing Law

The Indenture shall be governed by and construed and interpreted in accordance with the laws of the State of California.

Amendment to Rates and Methods of Apportionment of Special Tax

The Authority may, without the consent of any of the Holders of the Bonds, initiate change proceedings upon receipt of a petition from the owner or owners of all of the property in the Improvement Area and in Improvement Area 3 to implement the amendments to each rate and method of apportionment of special tax attached to the Indenture.

ACQUISITION AGREEMENT

The Authority, the City and the Developer have entered into a Acquisition Agreement (the "Agreement") dated February 1, 2013 which governs the use of the available bond proceeds to acquire the authorized facilities and pay, or reimburse the Developer for paying, certain development fees used to pay for authorized facilities.

Definitions

"Acceptable Title" means free and clear of all monetary liens, encumbrances, assessments,

whether any such item is recorded or unrecorded, and taxes, except those items which are reasonably determined by the City Engineer not to interfere with the intended use and therefore are not required to be cleared from the title.

“Actual Cost” means the total cost of an Acquisition Improvement, as documented by the Developer to the satisfaction of the City and as certified by the City Engineer in an Actual Cost Certificate including, without limitation, (a) the Developer’s cost of constructing such Acquisition Improvement (including grading for such construction), including labor, material and equipment costs, (b) the Developer’s cost of designing and engineering the Acquisition Improvement, preparing the plans and specifications and bid documents for such Acquisition Improvement, and the costs of inspection, materials testing and construction staking for such Acquisition Improvement, (c) the Developer’s cost of any performance, payment and maintenance bonds and insurance, including title insurance, required by the Agreement for such Acquisition Improvement, (d) the Developer’s cost of any real property or interest therein that is either necessary for the construction of such Acquisition Improvement (e.g., temporary construction easements, haul roads, etc.), or is required to be conveyed with such Acquisition Improvement in order to convey Acceptable Title thereto to the City or its designee, (e) the Developer’s cost of environmental evaluation or mitigation required for such Acquisition Improvement, (f) the amount of any fees actually paid by the Developer to governmental agencies in order to obtain permits, licenses or other necessary governmental approvals and reviews for such Acquisition Improvement, (g) the Developer’s cost for construction and project management, administration and supervision services for such Acquisition Improvement, (h) the Developer’s cost for professional services related to such Acquisition Improvement, including engineering, accounting, legal and similar professional services, and (i) the costs of construction financing incurred by the Developer with respect to such Acquisition Improvement.

“Actual Cost Certificate” means a certificate prepared by the Developer detailing the Actual Cost of an Acquisition Improvement, or an Eligible Portion thereof, to be acquired under the Agreement, as may be revised by the City Engineer.

“Acquisition Account” means the “City of Fresno Fancher Creek Community Facilities District Acquisition and Construction Fund” established by the Authority under the Indenture and the Agreement for the purpose of paying the Acquisition Price of the Acquisition Improvements.

“Acquisition Improvement” means a public improvement or a development fee authorized to be funded by the Community Facilities District and described in Exhibit A to the Agreement.

“Acquisition Price” means the total amount eligible to be paid to the Developer upon acquisition of an Acquisition Improvement as provided in the Agreement, or in the case of a development fee, the actual amount paid by the Developer, or the amount of a development fee to be paid on behalf of the Developer from bond or Special Tax proceeds, in every case not to exceed the Actual Cost of the Acquisition Improvement.

“Agreement” means the Acquisition Agreement, dated as of December 26, 2012.

“Authority Trustee” means the Trustee identified in the Indenture.

“Available Amount” means the portion of the proceeds of the Special Tax and Bonds allocable to the cost of Acquisition Improvements, together with interest earned thereon.

“City” means the City of Fresno.

“City Engineer” means the City Engineer of the City of Fresno or his/her designee who will be

responsible for administering the acquisition of the Acquisition Improvements under the Agreement.

“Disbursement Request Form” means a requisition for payment of funds from the Acquisition Account for an Acquisition Improvement, or an Eligible Portion thereof in substantially the form contained in Exhibit B to the Agreement.

“Project” means the Developer’s development of the property in the Community Facilities District, including the design and construction of the Acquisition Improvements and the other public and private improvements to be constructed by the Developer within the Community Facilities District.

“Special Taxes” means the annual special taxes authorized to be levied by the Community Facilities District for the Acquisition Improvements

“Title Documents” means, for each Acquisition Improvement acquired under the Agreement, a grant deed or similar instrument necessary to transfer title to any real property or interests therein (including easements), or an irrevocable offer of dedication of such real property with interests therein, necessary to the operation, maintenance, rehabilitation and improvement by the City of the Acquisition Improvement (including, if necessary, easements for ingress and egress) and a bill of sale or similar instrument evidencing transfer of title to the Acquisition Improvement (other than said real property interests) to the City, where applicable.

Acquisition Account

Special Tax collected prior to Bond issuance and available for acquisition of Acquisition Improvements, as well as net Bond proceeds available for the same purpose, and once deposited in the Acquisition Account, together with all earnings in the Acquisition Account, are available to respond to delivery of a Disbursement Request Form and to be paid to the Developer or its designee to pay the Acquisition Price of the Acquisition Improvements. Upon the payment of all costs of Acquisition Improvements, any remaining funds in the Acquisition Account (less any amount determined by the City as necessary to reserve for claims against the account) (i) shall be applied to pay the costs of any additional Acquisition Improvements eligible for acquisition as approved by the Authority and, to the extent not so used, (ii) shall be applied by the Authority to call Bonds or to reduce Special Tax as the Authority shall determine.

Contracting

The Developer awards and administers the engineering design contracts for the Acquisition Improvements. The Developer is entitled to reimbursement for any design costs of the Acquisition Improvements only out of the Acquisition Price and is not entitled to any payment for design costs independent of the acquisition of Acquisition Improvements.

State law requires that all Acquisition Improvements not completed prior to the formation of the Community Facilities District be constructed as if they were constructed under the direction and supervision, or under the authority, of the City. The Developer and the City agree that all of the Acquisition Improvements have been completed prior to formation of the Community Facilities District.

Sale of Acquisition Improvements

Except for Acquisition Improvements that will belong to regulated public utilities, the Developer agrees to sell to the City each Acquisition Improvement constructed by Developer (including any rights-of-way or other easements necessary for the Acquisition Improvements, to the extent not already publicly owned), when arrangements for maintenance of the Acquisition Improvement have been completed and

put in place to the satisfaction of the City for an amount not to exceed the lesser of (i) the Available Amount or (ii) the Actual Cost of the Acquisition Improvement. Exhibit A, attached to the Agreement and incorporated therein, contains a list of each Acquisition Improvement. The Developer shall deliver to the City Engineer a written request for acquisition, accompanied by an Actual Cost Certificate and executed Title Documents for the transfer of the Acquisition Improvement, where necessary. In the event that the City Engineer finds that the supporting paperwork submitted by the Developer fails to demonstrate the required relationship between the subject Actual Cost and eligible work, the City Engineer shall advise the Developer that the determination of the Actual Cost (or the ineligible portion thereof) has been disallowed and shall request further documentation from the Developer. If the further documentation is still not adequate, the City Engineer may revise the Actual Cost Certificate to delete any disallowed items and the determination shall be final and conclusive.

Certain soft costs for the Acquisition Improvements, such as civil engineering, were incurred pursuant to single contracts that included work relating also to the private portions of the Project. In those instances, the total costs under such contracts is allocated to each Acquisition Improvement based on the methodology specified in Exhibit A to the Agreement, or as otherwise approved by the City Engineer. Where a specific contract has been awarded for design or engineering work relating solely to an Acquisition Improvement, one hundred percent (100%) of the costs under the contract will be allocated to that Acquisition Improvement. Costs will be allocated to each Acquisition Improvement based on the methodology specified in Exhibit A, or as otherwise approved by the City Engineer. The costs of certain environmental mitigation required to mitigate impacts of the public and private portions of the Project will be allocated to each Acquisition Improvement based on the methodology specified in Exhibit A, or as otherwise approved by the City Engineer.

Payment to the Developer or its designee of the Acquisition Price for an Acquisition Improvement by the Authority from the Acquisition Account shall in every case be conditioned first upon the determination of the City Engineer that the Acquisition Improvement satisfies all City regulations and ordinances and is otherwise complete and ready for acceptance by the City and shall be further conditioned upon satisfaction of the following additional conditions precedent:

The Developer shall have provided the City with lien releases or other similar documentation satisfactory to the City Engineer as evidence that the property (including any rights-of-way or other easements necessary for the operation and maintenance of the Acquisition Improvement, to the extent not already publicly owned) is not subject to any prospective mechanics lien claim.

The Developer shall be current in the payment of all due and payable general property taxes, and all Special Tax of the Community Facilities District, on property owned by the Developer or under option to the Developer within the Community Facilities District.

The Developer shall have provided the Accepting Entity with Title Documents needed to provide the Accepting Entity with title to the site, right-of-way, or easement upon which the subject Acquisition Improvement is situated. All such Title Documents shall be in a form acceptable to the City and shall convey Acceptable Title.

Disbursement Request Form

Upon a determination by the City Engineer to pay the Acquisition Price of an Acquisition Improvement, the City Engineer shall cause a Disbursement Request Form substantially in the form attached to the Agreement as Exhibit B to be submitted to the Authority Trustee, and the Authority Trustee shall make payment directly to the Developer or its designee of the amount pursuant to the Indenture. The Authority Trustee shall make payment strictly in accordance with the Disbursement Request Form and shall not be required to determine whether or not the Acquisition Improvement has

been completed or what the Actual Costs may be with respect to the Acquisition Improvement. The Authority Trustee shall be entitled to rely on the executed Disbursement Request Form on its face without any further duty of investigation.

In the event that the Actual Cost of an Acquisition Improvement is in excess of the Available Amount, the Authority Trustee shall withdraw all funds remaining in the Acquisition Account and shall transfer that amount to the Developer or its designee. The unpaid portion of the Actual Cost shall be paid from funds that may subsequently be deposited in the Acquisition Account from a subsequent issuance of Bonds, if that occurs.

Limitation on Obligations

In no event shall the City or the Authority be required to pay the Developer or its designee more than the amounts held in the Acquisition Account.

Indemnification and Hold Harmless

The Developer assumes the defense of, and indemnifies and saves harmless the City, the Authority and their respective officers, directors, employees and agents, including the Authority Trustee, from and against all actions, damages, claims, losses or expenses of every type and description to which they may be subjected or put, by reason of, or resulting from or alleged to have resulted from the acts or omissions of the Developer or its agents and employees arising out of any contract for the design, engineering and construction of the Acquisition Improvements entered into by the Developer or arising out of any alleged misstatements of fact or alleged omission of a material fact made by the Developer, its officers, directors, employees or agents to the Authority's underwriter, financial advisor, appraiser, district engineer or bond counsel or regarding the Developer, its proposed developments, its property ownership and its contractual arrangements contained in the official statement relating to the Authority financing (provided that the Developer shall have been furnished a copy of the official statement and shall not have objected thereto); and provided, further, that nothing shall limit in any manner the City's rights against any of the Developer's architects, engineers, contractors or other consultants. Except as set forth in this paragraph, no provision of the Agreement shall in any way limit the extent of the responsibility of the Developer for payment of damages resulting from the operations of the Developer, its agents and employees. Nothing in this paragraph shall be understood or construed to mean that the Developer agrees to indemnify the City, the Authority or any of their respective officers, directors, employees or agents, including the Authority Trustee, for any wrongful acts or omissions to act of the City, the Authority or their officers, employees, agents or any consultants or contractors, including the Authority Trustee.

Successors and Assigns.

The Agreement is binding upon the heirs, assigns and successors-in-interest of the parties. The Developer may not assign its rights or obligations under the Agreement, except to successors-in-interest to the property within the District, without the prior written consent of the City and the Authority, which consent shall not be unreasonably withheld. In no event shall any successor-in-interest or assignee have any liability on account of any acts, omissions or liabilities of a prior owner (including the Developer), or for any acts, omissions or events that occur after the date on which such successor owner ceases to own such property. Without limiting and subject to the foregoing, the indemnification and hold-harmless obligations described above shall apply to all assignees and successors-in-interest only with respect to acts, omissions or events occurring after the date of assignment or succession through the date on which such successor owner ceases to own such property; provided that the Developer and all assignees and successors-in-interest shall remain liable for their respective indemnification and hold-harmless obligations notwithstanding any subsequent assignment or succession.

Remedies

In general, each of the parties to the Agreement may pursue any remedy at law or equity available for the breach of any provision of the Agreement, except that the City shall not be liable in damages to the Developer, or to any assignee or transferee of the Developer other than for the payments to the Developer specified in the Agreement. Subject to the foregoing, the Developer covenants not to sue for or claim any damages for any alleged breach of, or dispute which arises out of, the Agreement.

APPENDIX G

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-01, IMPROVEMENT AREA 1
(FANCHER CREEK)
SPECIAL TAX BONDS, SERIES 2013A**

**CONTINUING DISCLOSURE CERTIFICATE
(Authority)**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the California Statewide Communities Development Authority (the “Authority”) in connection with the issuance of its California Statewide Communities Development Authority Community Facilities District No. 2012-01, Improvement Area 1 (Fancher Creek) Special Tax Bonds, Series 2013A (the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of February 1, 2013 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “Trustee”). The Authority covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is executed and delivered for the benefit of the Holders and Beneficial Owners (as defined below) of the Bonds from time to time, and in order to assist the Underwriter (as defined below) in complying with the Rule (as defined below), but shall not be deemed to create any monetary liability on the part of the State or the State Treasurer to any other persons, including Holders or Beneficial Owners of the Bonds based on the Rule. The sole remedy in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance of any act required hereunder.

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

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

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean any dissemination agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation. The Authority shall act as initial Dissemination Agent under this Disclosure Certificate.

“Holder” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in its depository system.

“Listed Event” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports or notices pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the official statement relating to the Bonds, dated January 30, 2013.

“Report Date” shall mean nine months after the end of the Authority’s fiscal year, or March 31 of each year based upon the Authority’s current June 30 fiscal year end.

“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.

“SEC” shall mean the Securities and Exchange Commission.

“State” shall mean the State of California.

“Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, as original underwriter of the Bonds and any other underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than the 270 days after the end of the Authority’s fiscal year (presently such fiscal year ends June 30), commencing with the report for the fiscal year ending June 30, 2012, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate. If the Authority’s fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than fifteen (15) Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). If the Authority is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Authority shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Authority) file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

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

(a) The Authority’s comprehensive audited financial report for the prior fiscal year.

(b) A maturity schedule for the outstanding Bonds, and a listing of Bonds redeemed prior to maturity during the prior fiscal year.

(c) Balances in each of the following funds established pursuant to the Indenture as of the close of the prior fiscal year:

(i) the Redemption Fund (with a statement of the debt service requirement to be discharged by said Fund prior to the receipt of expected additional special tax revenue); and

(ii) the Reserve Fund.

(d) A statement of the debt service requirements for the Bonds for the prior fiscal year.

(e) A statement of the total special tax levied in the prior fiscal year.

(f) A statement of the actual special tax collections for the Community Facilities District for the prior fiscal year.

(g) The following information (to the extent that it is no longer reported in the Authority's annual filings with the California Debt and Investment Advisory Commission regarding the Bonds):

(i) the Reserve Requirement for the prior fiscal year;

(ii) a statement as to the status of any foreclosure actions with respect to delinquent payments of the Special Tax; and

(iii) a statement of any discontinuance of the County's Teeter Plan with respect to any taxable property in the District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

(i) Principal and interest payment delinquencies;

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) Substitution of credit or liquidity providers, or their failure to perform;

(v) Defeasances;

- (vi) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vii) Tender offers;
- (viii) Rating changes on the Bonds; and
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note: for the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) 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, not later than ten business days after the occurrence of the event:

- (i) Unless described in paragraph 5(a)(vi), adverse tax opinions or other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
- (ii) Modifications to rights of Bond holders;
- (iii) Optional, unscheduled or contingent Bond calls;
- (iv) Release, substitution, or sale of property securing repayment of the Bonds;
- (v) Non-payment related defaults;
- (vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
- (vii) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Authority shall determine if such event would be material under applicable federal securities laws.

(d) Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(v) or (b)(iii) need not be given under this Section any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination a filing with the MSRB.

SECTION 8. 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 Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Authority) shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Authority.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

(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 Indenture for amendments to the Indenture with the consent of the Holders of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders of the Bonds or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, 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 information being presented by the Authority.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the 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 Certificate, the Authority shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Authority Not Responsible for Continuing Disclosure by Other Parties. Nothing contained herein shall be construed to require the Authority to enforce the obligation of any other party, including any owner or property within the Community Facilities District, to provide information to the MSRB, or any Participating Underwriter or otherwise to comply with such other party's continuing disclosure undertaking entered into in connection with the issuance of the Bonds.

SECTION 12. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Certificate any Holders of the Bonds 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 to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and if the Authority is not the Dissemination Agent, 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 14. Notices. Any notice or communications to be given or made among any of the parties to this Disclosure Certificate may be given as follows:

To the Authority:

California Statewide Communities
Development Authority
1100 K Street, Suite 101
Sacramento, California 95814
Attention: Chair

To the Underwriter:

Stone & Youngberg
One Ferry Building, Suite 275
San Francisco, CA 94111
Attention: Public Finance

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.

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SECTION 15. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Underwriter, the Holders of the Bonds and the Beneficial Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: February 7, 2013

CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY

By: _____
Authorized Signatory

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: California Statewide Communities Development Authority
Name of Bond Issue: California Statewide Communities Development Authority Community Facilities District No. 2012-01, Improvement Area 1 (Fancher Creek) Special Tax Bonds, Series 2013A
Date of Issuance: February 7, 2013

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated February 7, 2013. The Authority anticipates that the Annual Report will be filed by _____, 20__.

Date: _____, 2013

CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY

By: _____
Authorized Signatory

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-01, IMPROVEMENT AREA 1
(FANCHER CREEK)
SPECIAL TAX BONDS, SERIES 2013A**

**CONTINUING DISCLOSURE CERTIFICATE
(Developer)**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by Fancher Creek Properties, LLC, a California limited liability company, in connection with the issuance by the California Statewide Communities Development Authority (the “Authority”) of its California Statewide Communities Development Authority Community Facilities District No. 2012-01, Improvement Area 1 (Fancher Creek) Special Tax Bonds, Series 2013A (the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of February 1, 2013 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “Trustee”). The Developer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is executed and delivered for the benefit of the Holders and Beneficial Owners (as defined below) of the Bonds from time to time, and in order to assist the Underwriter (as defined below) in complying with the Rule (as defined below), but shall not be deemed to create any monetary liability on the part of the State or the State Treasurer to any other persons, including Holders or Beneficial Owners of the Bonds based on the Rule. The sole remedy in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance of any act required hereunder.

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

“*Assumption Agreement*” shall mean an undertaking of a Major Owner, or an Affiliate thereof, for the benefit of the holders and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner’s development and financing plans with respect to the District), whereby such Major Owner or Affiliate agrees to provide Semi-Annual Reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in the District owned by such Major Owner and its Affiliates.

“*Dissemination Agent*” shall mean any dissemination agent designated in writing by the Developer and which has filed with the Developer a written acceptance of such designation. The Developer may act as the initial Dissemination Agent under this Disclosure Certificate.

“*District*” shall mean the California Statewide Communities Development Authority Community Facilities District No. 2012-01 (Fancher Creek).

“*Listed Events*” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

“*Major Owner*” shall mean, as of any Report Date, an owner of land in the District responsible in the aggregate for 20% or more of the Special Taxes in the District actually levied at any time during the then-current fiscal year.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports or notices pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the official statement relating to the Bonds, dated January 30, 2013.

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

“*Property*” shall mean the property owned by the Developer in the District.

“*Report Date*” shall mean (a) September 30 each year, and (b) March 31 each year.

“*Repository*” shall mean each National Repository and each State Repository, if any.

“*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.

“*Semi-Annual Report*” shall mean any Semi-Annual Report provided by the Developer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Special Taxes*” shall mean the annual special taxes for facilities of the District levied on taxable property within the District.

“*Underwriter*” shall mean Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus original underwriter of the Bonds and any other underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Section 3. Provision of Semi-Annual Reports.

(a) The Developer shall, or shall cause the Dissemination Agent to, not later than the 210 days after the end of the Developer’s fiscal year (presently such fiscal year ends June 30), commencing with the report for the fiscal year ending June 30, 2012, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Semi-Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate. If the Developer’s fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Semi-Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) If the Dissemination Agent does not receive a Semi-Annual Report 15 calendar days prior to the Report Date, the Dissemination Agent (if other than the Developer) shall send a reminder notice to the Developer that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Developer to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Developer does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the MSRB by the date as required in subsection (a) above, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as

Exhibit A, with a copy to the Developer and the Underwriter. In lieu of filing the notice with each Repository, the Property Owner or the Dissemination Agent may file the notice with the MSRB, with a copy to the Underwriter.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Developer) file a report with the Developer certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Semi-Annual Reports. The Developer's Semi-Annual Report shall contain or incorporate by reference the information set forth in Exhibit B, any or all of which may be included by specific reference to other documents, including official statements of debt issues, which have been submitted to 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 Developer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events

(a) The Developer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Defeasances;
- (vi) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vii) Tender offers;
- (viii) Rating changes on the Bonds; and
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note: for the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing

governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Developer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event to the MSRB:

(i) Unless described in paragraph 5(a)(5), adverse tax opinions or other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

(ii) Modifications to rights of Bond holders;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution, or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

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

(vii) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the Developer obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Developer shall determine if such event would be material under applicable federal securities laws.

(d) Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(v) or (b)(iii) need not be given under this Section any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Duration of Reporting Obligation.

(a) All of the Developer's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 12) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the Bonds,

or

(ii) at such time as Property owned by the Developer is no longer responsible for payment of 20% or more of the Special Taxes; provided, however, that the Developer's obligations under this Disclosure Certificate shall remain in force with respect to any transferred property for which the purchaser is a Major Owner who has not executed an Assumption Agreement, or

(iii) the date on which the Developer prepays in full all of the Special Taxes attributable to the Property.

If the Developer's obligations under this Disclosure Certificate terminate, the Developer shall, or shall cause the Dissemination Agent to, promptly file a notice of such termination with the MSRB, with a copy to the Underwriter.

(b) If all or a portion of the Property in the District owned by the Developer, is conveyed to a Person that, upon such conveyance, will be a Major Owner, the obligations of the Developer hereunder with respect to the property in the District owned by such Major Owner may be assumed by such Major Owner and the Developer's obligations hereunder with respect to such property will be terminated. In order to effect such assumption, such Major Owner shall enter into an Assumption Agreement.

(c) The Developer agrees to require, as a condition of sale of property within the District prior to the termination of the Developer's reporting obligations, that any purchaser who, as result of such sale, would be a Major Owner, execute an Assumption Agreement whereby such purchaser agrees (1) to assume and perform all of the obligations of the Developer hereunder with respect to such transferred property, and (2) to require, as a condition of sale by the purchaser to any such person, a further agreement by that purchaser (the "Subsequent Purchaser") as if the purchaser was the Developer and the Subsequent Purchaser was the purchaser under the terms of this paragraph. The failure of the Developer to obtain an Assumption Agreement from the purchaser shall not prevent the transfer of all or any portion of the Developer's Property or invalidate such transfer in any respect, nor place the Developer in default of any obligation created by this Disclosure Certificate or otherwise subject the Developer to any penalty or claim for damages.

Section 8. Dissemination Agent. The Developer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Developer) shall not be responsible in any manner for the content of any notice or report prepared by the Developer pursuant to this Disclosure Certificate. [The initial Dissemination Agent shall be the Developer.]

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of

the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Agreement to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Developer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Developer to comply with this Disclosure Certificate shall be an action to compel performance. Neither the Developer nor the Dissemination Agent shall have any liability to the holders or beneficial owners of the Bonds or any other party for monetary damages or financial liability of any kind whatsoever arising from or relating to this Disclosure Certificate.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and in any agreement between the Developer and Dissemination Agent, and the Developer 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 during the time that the Developer is a Major Owner obligated to comply with the Disclosure Certificate, including the reasonable costs and expenses (including attorneys' fees) of defending against any such claim of liability, but excluding losses, liabilities, costs and expenses arising from the Dissemination Agent's or its officers', directors', employees' or agents' negligence or willful misconduct or failure to perform its duties hereunder. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Developer:

Fancher Creek Properties, LLC
855 M Street, Suite 1110
Fresno, CA 93721
Attention: Mr. Edward M. Kashian
Mr. Thomas G. Richards

To the Underwriter:

Stone & Youngberg
One Ferry Building, Suite 275
San Francisco, CA 94111
Attention: Public Finance

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 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Developer (its successors and assigns), the Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Developer hereunder shall be assumed by any legal successor to the obligations of the Developer as a result of a sale, merger, consolidation or other reorganization.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

[Signature Page follows]

Fancher Creek Properties, LLC,
a California limited liability company

By: Kashian Enterprises, a California limited
partnership

Its: Member

By: _____
Edward M. Kashian

Title: General Partner

Fancher Creek Properties, LLC,
a California limited liability company

By: Africal Development, L.P.
a California limited partnership

Its: Member

By: _____
Thomas G. Richards, as Trustee of the
Thomas G. Richards Living Trust dated
September 7, 2005

Its: General Partner

EXHIBIT A

NOTICE OF FAILURE TO FILE SEMI-ANNUAL REPORT

Name of Issuer: California Statewide Communities Development Authority (the
"Authority")

Name of Bond Issue: California Statewide Communities Development Authority Community
Facilities District No. 2012-01, Improvement Area 1 (Fancher Creek)
Special Tax Bonds, Series 2013A

Date of Issuance: _____, 2013

NOTICE IS HEREBY GIVEN that Fancher Creek Properties, LLC (the "Developer") has not provided a
Semi-Annual Report with respect to the above-named bonds as required by that certain Continuing
Disclosure Certificate, dated _____, 2013. The Developer anticipates that the Semi-Annual
Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____

cc: The Developer
Underwriter

EXHIBIT B

SEMI-ANNUAL REPORT

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2012-01, IMPROVEMENT AREA 1
(FANCHER CREEK)
SPECIAL TAX BONDS, SERIES 2013A**

This Semi-Annual Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (the "Disclosure Certificate") dated as of February 7, 2013, executed by the undersigned (the "Developer") in connection with the issuance of the above-captioned bonds (the "Bonds") by the California Statewide Communities Development Authority for its Community Facilities District No. 2012-01 (Fancher Creek) (the "District").

Capitalized terms used in this Semi-Annual Report but not otherwise defined have the meanings given to them in the Disclosure Certificate.

I. Property Ownership and Development

The information in this section is provided as of _____ (this date must be not more than 60 days before the date of this Semi-Annual Report).

A. Property currently owned by the Developer in the District or which has been transferred to a Major Owner who has not executed an Assumption Agreement (the "Property"):

Development Name(s) _____

<u>Total Lots in the Development</u>	<u>Lots with Final Maps Since the Date of Issuance of the Bonds (February 7, 2013)</u>	<u>Property Sold (Escrows Closed) Since the Date of Issuance of the Bonds (February 7, 2013)</u>	<u>Property Sold Since the Last Semi- Annual Report</u>
Lots _____	Lots _____	Acres* _____ Lots _____	Acres* _____ Lots _____

* For bulk land sales only (excluding sales of finished lots or completed homes).

B. Status of land development on the Property:

C. Status of any significant amendments to land use or development entitlements with respect to the Property:

D. Status of any land purchase contracts with regard to the Property, whether acquisition of land in the District by the Developer or sales of land to other property owners.

II. Legal and Financial Status of Property Owner

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any change in the legal structure of the Developer or the financial condition and financing plan of the Developer that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement.

IV. Official Statement Updates

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any other significant changes in the information relating to the Developer or the Property contained in the Official Statement under the heading “THE DEVELOPER” and “THE DISTRICT” that would materially and adversely interfere with the Developer’s ability to develop and sell the Property as described in the Official Statement and an update of any significant changes to the information in Tables 2 and 3 in the Official Statement.

Certification

The undersigned Developer hereby certifies that this Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by the Developer under the Disclosure Certificate.

ANY OTHER STATEMENTS REGARDING THE DEVELOPER, THE DEVELOPMENT OF THE PROPERTY, THE DEVELOPER’S FINANCING PLAN OR FINANCIAL CONDITION, OR THE BONDS, OTHER THAN STATEMENTS MADE BY THE DEVELOPER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD OR A NATIONALLY RECOGNIZED MUNICIPAL SECURITIES INFORMATION REPOSITORY, ARE NOT AUTHORIZED BY THE DEVELOPER. THE DEVELOPER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE DEVELOPER HAS NO OBLIGATION TO UPDATE THIS SEMI-ANNUAL REPORT
OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated: _____

Fancher Creek Properties, LLC,
a California limited liability company

By: Kashian Enterprises, a California limited
partnership

Its: Member

By: _____
Edward M. Kashian

Title: General Partner

Fancher Creek Properties, LLC,
a California limited liability company

By: Africal Development, L.P.
a California limited partnership

Its: Member

By: _____
Thomas G. Richards, as Trustee of the
Thomas G. Richards Living Trust dated
September 7, 2005

Its: General Partner

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APPENDIX H

BOOK-ENTRY SYSTEM

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company (“DTC”), New York, New York, 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) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such issue, 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 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 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 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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 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 Bond documents. For example, Beneficial Owners of 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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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).

Redemption proceeds, distributions, and dividend payments on 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, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

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.

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