

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 3, 2015

NEW ISSUE – BOOK-ENTRY ONLY

NOT RATED

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 amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

\$11,125,000\*

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
COMMUNITY FACILITIES DISTRICT NO. 2015-02  
(RIO BRAVO)  
SPECIAL TAX BONDS, SERIES 2015A

Dated: Date of Delivery

Due: September 1, as shown on the Inside Cover

The California Statewide Communities Development Authority Community Facilities District No. 2015-02 (Rio Bravo), Special Tax Bonds, Series 2015A (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 needed to mitigate the impacts of the development of property within the California Statewide Communities Development Authority Community Facilities District No. 2015-02 (Rio Bravo), City of Bakersfield, County of Kern, State of California (the "District"), (b) make a deposit to the Reserve Fund, (c) capitalize interest on the Bonds through September 1, 2016, 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 March 1, 2016. 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 G – "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 the District, 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). 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 Jones Hall, A Professional Law Corporation, San Francisco, California. Orrick, Herrington & Sutcliffe LLP is also acting as Disclosure Counsel to the Authority. Holland & Knight served as Special Counsel to the Developer. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about \_\_\_\_\_, 2015.



RBC Capital Markets®

This Official Statement is dated \_\_\_\_\_, 2015.

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**MATURITY SCHEDULE**

relating to

**\$11,125,000\***

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
COMMUNITY FACILITIES DISTRICT NO. 2015-02  
(RIO BRAVO)  
SPECIAL TAX BONDS, SERIES 2015A**

**(Base CUSIP<sup>†</sup> \_\_\_\_\_)**

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP <sup>†</sup> Suffix		
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
2039						
2040						
2041						
2042						
2043						
2044						
2045						
	\$ _____	_____ %	Term Bonds	Maturing September 1, 20__	Price _____ %	CUSIP <sup>†</sup> _____
	\$ _____	_____ %	Term Bonds	Maturing September 1, 20__	Price _____ %	CUSIP <sup>†</sup> _____

\* Preliminary, subject to change.

† Copyright © 2015 American Bankers Association. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the Authority nor the Underwriter assume responsibility for the accuracy of such numbers.

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 F 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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**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**

**Commission**

Larry Combs, Chair

Kevin O'Rourke, Vice Chair

Terry Schutten, Treasurer

Dan Harrison, Secretary

Irwin Bornstein, Member

Dan Mierzwa, Member

Tim Snellings, Member

**Officers**

Cathy Bando, Executive Director

---

**PROFESSIONAL SERVICES**

**Special Tax Consultant**

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Newport Beach, California

**Appraiser**

Seevers Jordan Ziegenmeyer  
Rocklin, California

**Bond and Disclosure Counsel**

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San Francisco, California

**Developer Counsel**

Holland & Knight  
Los Angeles, California

**Trustee**

Wilmington Bank Trust National Association  
Costa Mesa, California

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## OFFICIAL STATEMENT

\$11,125,000\*

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
COMMUNITY FACILITIES DISTRICT NO. 2015-02  
(RIO BRAVO)  
SPECIAL TAX BONDS, SERIES 2015A**

### INTRODUCTION

The purpose of this Official Statement, including the cover, table of contents and the Appendices, is to provide certain information concerning the \$11,125,000\* aggregate principal amount of California Statewide Communities Development Authority Community Facilities District No. 2015-02 (Rio Bravo), Special Tax Bonds, Series 2015A (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 needed to mitigate the impacts of the development of property within the California Statewide Communities Development Authority Community Facilities District No. 2015-02 (Rio Bravo) (the “**District**”), (b) make a deposit to the Reserve Fund, (c) pay capitalized interest on the Bonds through September 1, 2016, 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 March 1, 2016. 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 G – “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 August 1, 2015 (the “**Indenture**”), between the Authority and Wilmington Bank Trust National Association, 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 the District in an aggregate principal amount not to exceed \$14,000,000. 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 Bakersfield (the “**City**”) in Kern County, California (the “**County**”). The City is the county seat of the County and is located approximately 100 miles north of Los Angeles and in the southern San Joaquin Valley. For additional information regarding the City, see “THE CITY OF BAKERSFIELD” and Appendix A – “GENERAL INFORMATION ABOUT THE CITY OF BAKERSFIELD AND VICINITY.”

The District is also located within the East Niles Community Services District (“**ENCSD**”). ENCSD operates a water system and provides sewer service to certain unincorporated areas of the County and portions of the

City. For additional information regarding ENCSD, see “EAST NILES COMMUNITY SERVICES DISTRICT” and Appendix A – “GENERAL INFORMATION ABOUT THE CITY OF BAKERSFIELD AND VICINITY.”

The District consists of approximately 46.53 acres and is zoned for (i) professional and administrative office (C-0), (ii) regional commercial within a planned commercial development (C-2/PCD), and (iii) single-family and limited multifamily development (R-1 and R-2). Rio Bravo Medical Campus, LLC, the owner of the land within the District (the “**Developer**”), is developing a medical and retail project in the District (the “**Project**”). As of June 5, 2015, all infrastructure efforts have been completed except for a traffic signal that must be installed at the intersection of the entrance to the Project (as defined herein).

The Developer commenced construction on the first portion of the Project, consisting of a 66,139 square foot comprehensive cancer and imaging center that will also contain an ambulatory surgery center, standard medical offices and administrative space located on approximately 4.48 acres of property within the District. Another portion of the Project consists of approximately 16.07 acres of property zoned for retail use that is currently in the planning phase. The Developer anticipates selling the commercial property to a retail developer. It is anticipated that the Developer will change the zoning of the property within the Project currently zoned for multi-family development to allow for a 55,000 square foot acute care rehabilitation hospital. The District is subject to the levy of the Special Tax for payment of the Bonds, as described under “SECURITY FOR THE BONDS.” For additional information regarding the District and its development, see “THE COMMUNITY FACILITIES DISTRICT.”

Pursuant to the Act, the qualified elector of the District was the sole landowner of all Taxable Property within the District. The landowner approved the levy of a special tax (the “**Special Tax**”) on its real property within the boundaries of the District. See “THE COMMUNITY FACILITIES 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.” 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.

THE BONDS REPRESENT A HIGH DEGREE OF SPECULATIVE RISK. Investment in the Bonds involves risks that may not be appropriate for some investors. 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 (including the Project), the Developer 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 E hereto. Copies of the Indenture and such other documents may be obtained from the Trustee at 650 Town Center Drive, Suite 600, Costa Mesa, California 92626.

**Regional Map of CSCDA CFD No. 2015-02 (Rio Bravo),  
City of Bakersfield, County of Kern, State of California**





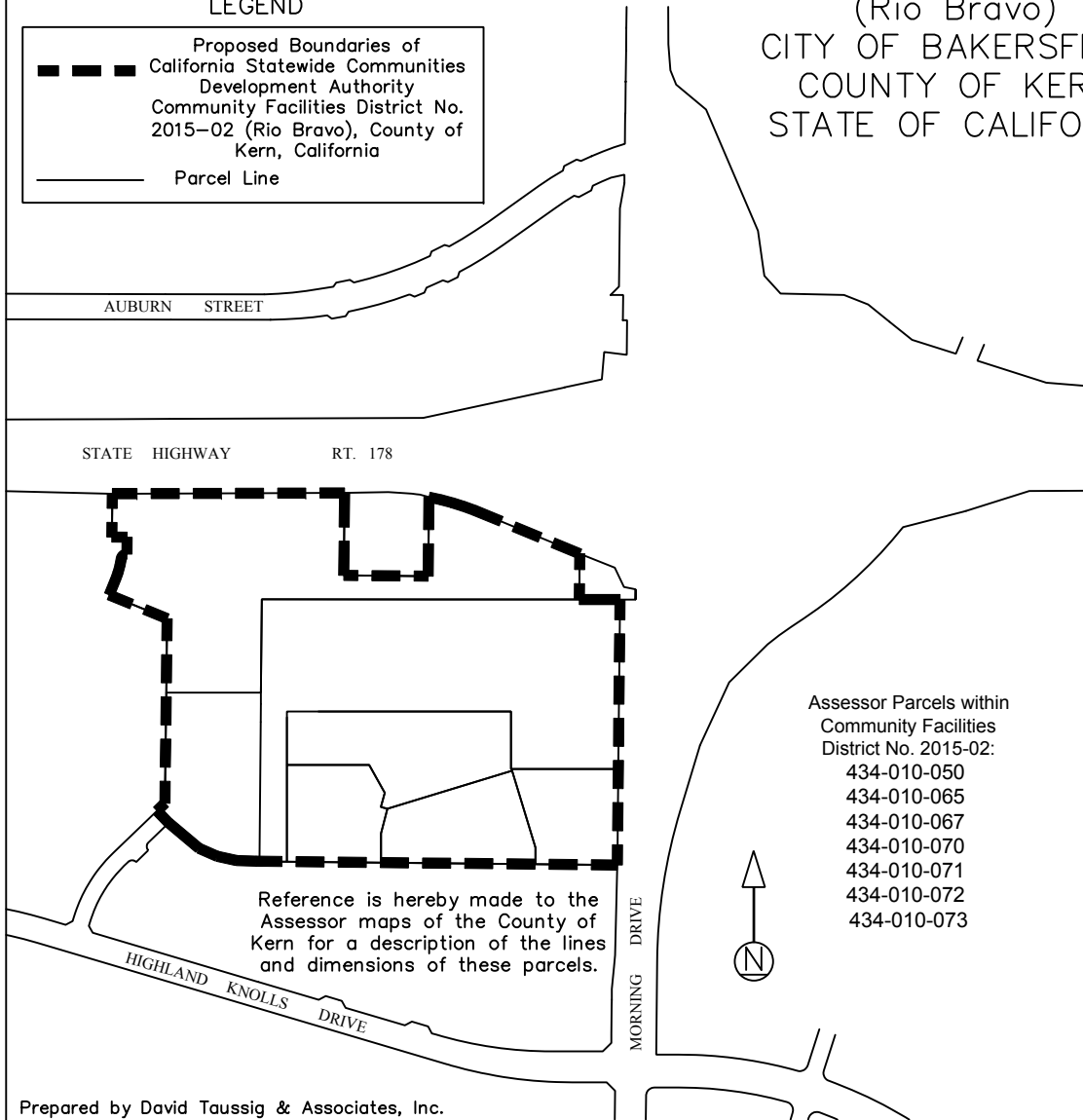
SHEET 1 OF 1

PROPOSED BOUNDARIES OF  
 CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
 COMMUNITY FACILITIES DISTRICT NO. 2015-02

(Rio Bravo)  
 CITY OF BAKERSFIELD  
 COUNTY OF KERN  
 STATE OF CALIFORNIA

LEGEND

 Proposed Boundaries of California Statewide Communities Development Authority Community Facilities District No. 2015-02 (Rio Bravo), County of Kern, California  
 Parcel Line



(1) Filed in the office of the Secretary of California Statewide Communities Development Authority this \_\_\_\_ day of \_\_\_\_\_, 2015.

\_\_\_\_\_  
 Secretary, California Statewide Communities Development Authority

(2) I hereby certify that the within map showing the proposed boundaries of California Statewide Communities Development Authority Community Facilities District No. 2015-02 (Rio Bravo), City of Bakersfield, County of Kern, State of California, was approved by the Commission of the California Statewide Communities Development Authority at a regular meeting thereof, held on this \_\_\_\_\_ day of \_\_\_\_\_, 2015, by its Resolution No. \_\_\_\_\_.

\_\_\_\_\_  
 Secretary, California Statewide Communities Development Authority

(3) Filed this \_\_\_\_ day of \_\_\_\_\_, 2015, at the hour of \_\_\_\_ o'clock \_\_\_\_m, in Book \_\_\_\_\_ of Maps of Assessment and Community Facilities Districts at Page \_\_\_\_\_ and as Instrument No. \_\_\_\_\_ in the office of the County Recorder in the County of Kern, State of California.

Jim Fitch  
 Kern County Assessor-Recorder  
 By \_\_\_\_\_  
 Deputy  
 Fee \_\_\_\_\_

## 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 G – "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 March 1, 2016 (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 San Francisco, California, 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 fifteenth (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 fifteen (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 G – "BOOK-ENTRY SYSTEM," herein.

### Redemption\*

***Extraordinary Redemption from Prepayment of Special Tax.*** 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 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:

---

\* Preliminary, subject to change.

\_\_\_\_% if redeemed on any date on or prior to September 1, 20\_\_; and

\_\_\_\_% if redeemed on any date after September 1, 20\_\_, 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, 20\_\_, 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, 20\_\_, 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 20\_\_ Sinking Account in the Redemption Fund for the Bonds maturing on September 1, 20\_\_ (the “**20\_\_ Term Bonds**”), to receive payments (the “**20\_\_ Mandatory Sinking Account Payments**”) for the mandatory redemption of the 20\_\_ Term Bonds. The 20\_\_ 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, 20\_\_, in the principal amounts thereof together with accrued interest thereon to the date fixed for redemption, without premium, solely from 20\_\_ Mandatory Sinking Account Payments deposited into the 20\_\_ Sinking Account, as follows except that if any Bonds maturing on September 1, 20\_\_, 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, 20\_\_**

**Mandatory Sinking  
Account Payment Date  
(September 1)**

---

**Mandatory Sinking  
Account Payments**

---

\_\_\_\_\_  
\* Maturity

The Authority will establish and maintain with the Trustee the 20\_\_ Sinking Account in the Redemption Fund for the Bonds maturing on September 1, 20\_\_ (the “**20\_\_ Term Bonds**”), to receive payments (the “**20\_\_ Mandatory Sinking Account Payments**”) for the mandatory redemption of the 20\_\_ Term Bonds. The 20\_\_ 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, 20\_\_, in the principal amounts thereof together with accrued interest thereon to the date fixed for redemption, without premium, solely from 20\_\_ Mandatory Sinking Account Payments deposited into the 20\_\_ Sinking Account, as follows except that if any Bonds maturing on September 1, 20\_\_, 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, 20\_\_**

**Mandatory Sinking  
Account Payment Date  
(September 1)**

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**Mandatory Sinking  
Account Payments**

---

\* 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 G – “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 G – “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.

**Debt Service Schedule\***

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

<b>Period Ending September 1</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
<b>Total</b>			

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\* Preliminary, subject to change.

## THE CITY OF BAKERSFIELD

The City of Bakersfield is the county seat of Kern County. The City is a Charter City located approximately 100 miles north of Los Angeles in the southern San Joaquin Valley. The City maintains an incorporated area of 150 square miles and has an estimated population of 369,505 as of January 1, 2015. For additional information regarding the City, see Appendix A – “GENERAL INFORMATION ABOUT THE CITY OF BAKERSFIELD AND VICINITY.”

## THE EAST NILES COMMUNITY SERVICES DISTRICT

The East Niles Community Services District, formed in 1954, operates a water system and provides sewer service to the ENCSD service area, which comprises certain unincorporated areas of the County and portions of the City. ENCSD currently incorporates an area of approximately 5,500 acres and contains primarily residential development. ENCSD has a population of approximately 28,000 and, as of May 2015, provided approximately 7,750 water service connections.

## 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. The Developer is currently the sole property owner within the District.*

### Rio Bravo Medical Campus, LLC

Rio Bravo Medical Campus, LLC (the “**Developer**”), a California limited liability company, consists of two limited liability companies, Rio Bravo Investment Group, LLC (“**RBIG**”) and Lyles United, LLC (“**Lyles United**”), each holding a 50% share in the entity. RBIG is an investment group formed by G.L. Bruno Associates, Inc. (“**G.L. Bruno**”) and local physicians invested in bringing medical care to their community. Lyles United is a Central Valley based vertically integrated construction, management and property holding company. Its investments include shopping centers, large multi-family housing facilities, agricultural holdings and multiple construction companies. The Developer is a Manager Managed LLC, managed by G.L. Bruno, which specializes in the development and construction of sophisticated medical facilities. The Developer contracts all work performed to G.L. Bruno, and G.L. Bruno acts as the general contractor, subcontracting all work to licensed specialty contractors.

Gary L. Bruno serves as President and Chief Executive Officer of G.L. Bruno. Mr. Bruno has over thirty-five (35) years of real estate development and general construction experience. He has been involved in the development, operation and management of over one million square feet of commercial property and approximately 120 acres of raw land.

The Developer acquired a portion of the property within the District in September 2008 and, thereafter, acquired the balance of the property within the District in June 2012 (the “**Property**”). See “THE COMMUNITY FACILITIES DISTRICT – Plan and Status of Development.”

Recent projects completed by principals or related entities of the Developer in California include the following:

- City of Hope | Antelope Valley (a 54,000± square feet comprehensive cancer center, community resource center and medical office building located in Lancaster, California; completed in November 2013).
- Kaiser Radiation Oncology Center (a 15,000± square feet, three vault radiation oncology center located in Roseville, California, completed in 2005).
- Kaiser Permanente Cancer Center (10,000± square feet cancer center located in Rancho Cordova, California, completed in 2004).

- Emanuel Medical Plaza (a 51,000± square feet physician and hospital administrative office and conference building located in Turlock, California, completed in 2006).
- U.S. Cancer Management Centers (two 10,000± square feet cancer centers located in Fresno, California (completed in 2003) and Sacramento, California (completed in 2005)).

Recent projects completed by principals or related entities of Lyles United in California include the following:

- Betty Drive/Avenue (312 realignment and improvement project located in Tulare, California, completed in 2012).
- California Veterans Home (site work and infrastructure work completed on a 26.2 acre site located in Fresno, California, completed in 2012).
- DB Lytle Creek Wastewater Treatment Plant (located in San Bernardino, California, completed in 2006).

***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 Rio Bravo Investment Group, LLC and Lyles United, LLC) 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 COMMUNITY FACILITIES DISTRICT

### General Information

On July 23, 2015, the Authority adopted a resolution establishing the District. At a special election held on the same date, the owner of the property within the boundaries of the District authorized the Authority to incur a bonded indebtedness in an amount not to exceed \$20,000,000 and approved a rate and method of apportioning the Special Tax to pay the principal of and interest on the Bonds (the “**Rate and Method**”). See “SECURITY FOR THE BONDS – Rate and Method of Apportionment of Special Tax.” The Authority may issue additional series of bonds authorized by the District to develop the District.

### The District

The District is located within the City of Bakersfield in Kern County, California, and within the East Niles Community Services District. Regional maps showing the location of the City and the location of ENCSD appear herein under the caption “INTRODUCTION.” Specifically, the District is located at the southwest quadrant of State Highway 178 and Morning Drive. The total land area of the District is approximately 46.53± acres and is currently comprised of (i) undeveloped land, and (ii) a 66,139± square feet cancer and imaging center currently under construction. See “THE PROJECT, THE IMPROVEMENTS AND THE ASSESSED PROPERTY – The Project” below.

David Taussig & Associates, Inc., as the special tax consultant for the District, has prepared a Hearing Report (the “**Hearing Report**”) relating to the District. Certain additional information regarding the Improvements (as defined herein), including descriptions, cost estimates and related information, can be found in the Hearing Report, which is available for review at the offices of the Authority.

### THE PROJECT, THE IMPROVEMENTS AND THE ASSESSED PROPERTY

*A description of the Project is set forth below. The following information has been obtained by the Authority from the Developer, the City, ENCSD and other sources believed by the Authority to be reliable, but have not been independently verified by the Authority or any of its consultants.*

### The Project

The development project consists of three different, but continuous land use zones: (1) a medical office campus located on approximately 13.2 acres of land; (2) a retail component located on approximately 17.13 acres of land; and (3) a multi-family residential component located on approximately 17.3 acres of land (collectively, the “**Project**”).

A portion of the Project consists of four buildings: one two-story, 66,139 square foot comprehensive cancer and imaging center, which is currently under construction and located on approximately 4.48 acres of land, known as the “Rio Bravo Cancer and Imaging Center” (the “**Cancer and Imaging Center**”) and three medical office buildings in various stages of planning. All four buildings are located on land zoned for professional and administrative office. The Cancer and Imaging Center, located in the first building, will contain an ambulatory surgery center, standard medical offices and administrative space. The Cancer and Imaging Center is expected to provide the City with a local comprehensive cancer treatment facility that includes patient support and clinical research trials. Specialized fixtures are expected to include a concrete linear accelerator vault in the radiation oncology center and two rooms for MRI and CT scans in the imaging center. The Cancer and Imaging Center is currently under construction and is expected to be completed in December 2015. Several leases have been negotiated for the Cancer and Imaging Center. As of June 20, 2015, 62,556 square feet of the Cancer and Imaging Center (approximately 95% occupied) has been precommitted, meaning that certain letters of intent have been signed and leases have been circulated for execution. The remaining three medical office buildings range in size between 2.65 acres and 3.11 acres. The second building within the medical office zoned portion of the Project consists of a 35,000 square foot medical office building that will house physician offices and serve as the headquarters for a national medical billing company. The second building is in the design-development stage and

the Developer anticipates construction to commence at the end of 2015. The third and fourth buildings consist of two 40,000 square feet medical office buildings. The Developer anticipates completion of the third and fourth buildings in 2017 and 2018, respectively.

The retail portion of the Project, currently in the planning phase, consists of approximately 16.07 acres of property zoned for retail use. The Developer anticipates selling the commercial property to a retail developer concurrent with the completion of the State Highway 178 Morning Drive interchange project (the “**Interchange Project**”). Site leveling activities started in March 2008 to prepare the site for marketing. A broker has not yet been engaged in the marketing of this piece.

The Interchange Project is part of a major highway improvement plan for the City and is expected to be funded entirely by the Thomas Road Improvement Program (“**TRIP**”), a cooperative effort between the City, the County, Caltrans and the Kern Council of Governments. The goal of TRIP is to make major road improvements throughout the City. Funding for the Interchange Project comes from a federal grant and local matching funds from the City. The Interchange Project, jointly administered by the City and Caltrans, includes expanding Highway 178 to a four-lane highway and constructing an interchange that spans the new highway and joins Morning Drive on the north and south sides of the highway. Construction of the Interchange Project is expected to be completed in August 2015.

On the remaining 17.13 acre site that is currently zoned for multi-family development and initially planned for independent and assisted living facilities, the Developer anticipates constructing a 55,000 square foot acute care rehabilitation hospital. It is anticipated that the Developer will change the zoning of the property within the Project to allow for the acute care rehabilitation hospital. The acute care rehabilitation hospital is expected to be built on a “build-to-suit” basis for a tenant signing a long-term lease. The Developer anticipates that the parties will execute a letter of intent in August 2015.

The Property has not transferred in the last three years from the date of value and, except as discussed above, the Property is not currently being marketed for sale.

## **The Improvements**

A portion of the proceeds of the Bonds will be used to finance certain public improvements (the “**Improvements**”), most of which have already been completed. A brief description of the Improvements is below.

**Offsite Water Pump Station.** The construction of the pump station connects the existing 2.5 million gallon ENCSD water supply tank to hundreds of acres in the immediate vicinity and creates a system which provides the appropriate volume of water and water pressure required by the City Fire Marshall. The pump station also helps facilitate the water transfer from the same 2.5 million gallon water tank to a second tank approximately one mile south at College Avenue and Morning Drive, which meets the City’s and ENCSD’s master plans. Construction of the offsite water pump station has been completed.

**Morning Drive – Onsite Sewer Line.** The onsite sewer line connects to the ENCSD sewer system and is built to ENCSD construction standards. The onsite sewer line collects, treats, reclaims and disposes sewage, and also supports improvements and related facilities, such as construction and installation of gravity sewers and force mains. The onsite sewer line meets the project service demands for the Project’s development and is consistent with the City’s and ENCSD’s wastewater master plans. Construction of the onsite sewer line has been completed.

**Morning Drive – Development Onsite Water.** The construction of the onsite water line creates a loop connecting the ENCSD to the 14-inch water line at the property entrance at Morning Drive. The onsite water line meets the project service demands of the Project. The onsite water line is built to ENCSD’s standards. Construction of the onsite water line has been completed.

**Highland Knolls/Kirkcaldy.** The construction of Highland Knolls/Kirkcaldy makes connection to the existing Highland Knolls and runs easterly for approximately 2,567 lineal feet. It consists of the center two lanes for Highland Knolls (40 lineal feet wide) and the full width of road for Kirkcaldy (40 lineal feet wide). The completion

of this portion of Highland Knolls extends the street approximately 50% of the distance from the existing Highland Knolls to the newly constructed Morning Drive. Within Highland Knolls/Kirkcaldy is a storm drain system that provides service to hundreds of acres within the immediate vicinity and is consistent with the City’s master plan and is built to the City’s standards. Construction of Highland Knolls/Kirkcaldy has been completed.

**Morning Drive Extension.** The construction of the Morning Drive extension from the off ramp of highway 178 to College Avenue consists of the two south bound lanes of approximately 32 feet in width located on the west side of Morning Drive extending south along Morning Drive for a length of approximately 4,000 lineal feet (approximately .75 of a mile), to the intersection of Morning Drive and College Avenue. The construction effort also includes the widening Morning Drive at the connecting point of Highway 178 off ramp and Morning Drive. A traffic signaling device, at the property entrance 4500 Morning Drive, will be installed in accordance with the City’s and Caltran’s standards. Except for the traffic signal, construction of the Morning Drive extension has been completed.

**Ravine Storm Drain.** The construction of the storm drain system is for the collection and disposal storm waters and flood control purposes as well as supporting improvements related facilities associated with the developed property and the City’s master plan storm drain system. Construction of the storm drain system has been completed.

The following table shows the cost to date, projected costs, and total costs for the Project as of June 30, 2015:

<b>Improvement Description</b>	<b>Total Project Costs</b>
Offsite Water Pump Station	\$2,736,333 □
Morning Drive – Sewer Line	822,555
Morning Drive – Development Onsite Sewer	698,047
Morning Drive – Development Onsite Water	545,867
Highland Knolls/Kircaldy	2,696,943
Morning Drive Extension <sup>(1)</sup>	4,081,874
Traffic Signal	582,126
Ravine Storm Drain	625,100
<b>Total Cost of Improvements</b>	<b>\$12,788,845</b>

*Source:* Rio Bravo Medical Campus, LLC.

All Improvements listed above, other than the Traffic Signal, will be acquired at closing as completed Improvements. Bond proceeds in the amount of \$9,146,860\* will be paid from the initial issuance of Bonds and the remaining payment of \$3,641,985\* will be paid when and as additional bonds are issued.

Construction of the Improvements started in March 2008 and is substantially completed. The Developer received all required permits for and has completed work on all public improvements with the exception of the traffic signal at Morning Drive. A permit on the traffic signal is anticipated to be issued by the City in August 2015. The Developer expects to install the traffic signal by October 2015.

Public utilities, including electricity, natural gas, water, sewer and telephone service, are available to the Property. Electricity and gas services will be provided by Pacific Gas and Electric Company (“PG&E”), which issued a “Will Serve” letter in August 2008. Water and sewer utilities will be provided by ENCSD, which issued a “Will Serve” letter allocating water and sewer for the District in February 2008. Storm drain services will be provided by the City. Telephone and fiber optics will be provided by AT&T, which issued a “Will Serve” letter in June 2012.

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\* Preliminary, subject to change.

## **Development Entitlements**

**Zoning.** The District is currently zoned for (i) professional and administrative office (C-0), (ii) regional commercial within a planned commercial development (C-2/PCD), and (iii) single-family and limited multifamily development (R-1 and R-2).

**Final Map.** The City Planning Commission approved a Vesting Tentative Map on April 16, 2009, which the City Surveyor subsequently approved. The Final Map was recorded on September 25, 2012. A Zone Change, General Plan Amendment, and CEQA approval, in the form of a Mitigated Negative Declaration, was adopted by the City Council on February 13, 2008. A Lot Line Adjustment of some the parcels was recorded on October 8, 2008. The Planning Director of the City issued Site Plan Review approval for the parcels zone C-0 on October 20, 2008, and issued a Site Permit for one parcel and a Building Permit for another parcel. The Developer needs to obtain three additional Building Permits for the medical campus, which are expected to be issued in 2016, 2017 and 2018. Additional permits will be required by various governmental agencies as the Developer continues its development of the Property.

**Development Agreements.** According to the Developer, no development agreements are currently in place for the Property.

## **Environmental Studies and Assessments**

A mitigated negative declaration (the “Mitigated Negative Declaration”) has been issued by the City under the California Environmental Quality Act (“CEQA”). A Phase I Environmental Site Assessment was completed on the Property, as well as a follow-up Limited Geophysical Survey for a potential oil well. The results of both surveys were negative. Blunt Nosed Leopard Lizard survey protocols were complete on the Property, also with negative results. An Air Quality Impact Study, BIOTA Report, Cultural Resources Study, Traffic Study, Noise Study and Mineral Search were all completed on the Property and accepted as part of the regulatory approvals. No additional environmental studies and/or assessments remain to be done on the Property. The City Council adopted the Mitigated Negative Declaration by resolution on February 13, 2008. Krazan & Associates completed a Phase I Environmental Site Assessment on July 26, 2007 and an update to the report on July 16, 2014.

## **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.*

Construction of the first building within the portion of the Project zoned for medical office use commenced in August 2014 and is scheduled to be completed in December 2015. The second building of the medical office campus is in the design-development stage and the Developer anticipates construction to commence at the end of 2015. The third and fourth buildings of the medical office campus are expected to be completed in 2017 and 2018, respectively.

## **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 is financing the construction of the Cancer and Imaging Center with proceeds from a construction loan in the amount of \$26,500,000 from Wells Fargo Bank, National Association. The construction loan is scheduled to mature on June 30, 2016. The Developer expects to seek additional funds from private sources for completion of the medical and retail portions of the rest of the Project and the acute care rehabilitation hospital. 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.”

**Bond Proceeds.** A portion of the proceeds of the Bonds will be used to finance a portion of the Improvements required to mitigate the impacts of the development planned in the District. The Developer expects that a second series of bonds will be issued to finance the remaining Improvements. See “ESTIMATED SOURCES AND USES OF BOND PROCEEDS” and “THE COMMUNITY FACILITIES DISTRICT – Public Infrastructure.”

The Developer’s actual or estimated sources and uses of funds for the costs of improvements to the land are set forth in the following table.

**Table 1**  
**California Statewide Communities Development Authority**  
**Community Facilities District No. 2015-02 (Rio Bravo)**

**Developer’s Plan of Finance <sup>(1)</sup>**

<b>Estimated Sources of Funds:</b>	<b>Estimated Amount</b>
Bond Proceeds	
Series 2015A Bonds	\$ 9,146,860
Future Bonds	3,641,985
Loan Proceeds <sup>(2)</sup>	26,500,000
Developer’s Equity Contribution <sup>(3)</sup>	10,600,000
<b>Total Sources:</b>	<b>\$49,888,845</b>
<b>Estimated Uses of Funds:</b>	<b>Estimated Amount</b>
Authorized Improvements (Series 2015A Bonds)	\$ 9,146,860
Authorized Improvements (Future Bonds)	3,641,985
Public and Private Improvements	\$37,100,000
<b>Total Uses:</b>	<b>\$49,888,845</b>

<sup>(1)</sup> Covers bond-financed Improvements and the Cancer and Imaging Center.

<sup>(2)</sup> Cumulative amount of loan proceeds relating to the District (loan from Wells Fargo Bank, National Association, in the original amount of \$26,500,000 secured by property in the District).

<sup>(3)</sup> The Developer has contributed funds for private improvements not expected to be financed with proceeds from the Bonds. In addition, the Developer expects to provide such additional funds as are necessary to complete the private improvements necessary for the 46-acre project.

Source: Rio Bravo Medical Campus, LLC.

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 private sources, including 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, water distribution, sewer distribution, gas distribution, electrical distribution, storm drainage and public streets (collectively, the “**Improvements**”). See “– The Improvements” above. All of the Improvements in the District are complete except for a traffic signal at Morning Drive. The net proceeds of the Bonds, certain investment earnings thereon and the Special Tax are expected to be sufficient to fund a portion of the Improvements. The Developer anticipates that a second issue of bonds will fund the remaining portion 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 contributions from the Developer. The Developer is not obligated to make any such additional contributions. 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 Project in the time and in the manner described herein.

### **Private Infrastructure**

Private infrastructure includes, but is not limited to, onsite sewer, water, power, storm water drainage, grading, concrete curbs, paving and other ancillary improvements that either have or are expected to be financed by the Developer using private funds.

### **Surrounding Areas**

The land to the east across Morning Drive is owned by IBRA AM LLC (“**IBRA AM**”). IBRA AM acquired the property through a foreclosure action initiated against the prior owner, who intended to develop the property as single-family residential homes. The land is currently vacant and unimproved and the development is currently on hold. The land to the south and west of the Property is owned by Mt. Vernon Properties, LLC (“**Mt. Vernon Properties**”). The portion of the property north of the future extension of Highland Knolls from its current terminus to Morning Drive and west of Kirkcaldy is zoned commercial office. The portion north of the future extension of Highland Knolls and east of Kirkcaldy is zoned commercial retail. The land south of the extension of Highland Knolls is zoned single-family residential. All of the land is currently vacant and unimproved. Mt. Vernon Properties intends to hold the office and retail properties for future development, but has no current intent to commence development. Mt. Vernon Properties is currently seeking a residential-home builder to begin purchasing lots and starting construction, but has not sold any properties to date. Development of the land is also on hold.

### **Acquisition Agreements**

**City 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 “**City Acquisition Agreement**”). Pursuant to the City Acquisition Agreement, the City will purchase certain Improvements (the “**Authorized City Improvements**”) from the Developer, but solely from the net proceeds of the Bonds, certain investment earnings thereon and the Special Tax. When the Developer has completed an Authorized City Improvement, it may submit an Actual Cost Certificate to the City Engineer requesting payment of its “Actual Costs” incurred (as defined in the City Acquisition Agreement). The City Engineer will determine if the Authorized City 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 E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – CITY ACQUISITION AGREEMENT.”

**ENCSD Acquisition Agreement.** In connection with the formation of the District and the issuance of the Bonds, the Developer, the Authority and ENCSD have entered into an Acquisition Agreement (the “**ENCSD Acquisition Agreement**”). Pursuant to the ENCSD Acquisition Agreement, ENCSD will purchase certain Improvements (the “**Authorized ENCSD Improvements**”) from the Developer, but solely from the net proceeds of the Bonds, certain investment earnings thereof and the Special Tax. When the Developer has completed an Authorized ENCSD Improvement, it may submit an Actual Cost Certificate to ENCSD requesting payment of its “Actual Costs” incurred (as defined in the ENCSD Acquisition Agreement). ENCSD will determine if the

Authorized ENCSD Improvement thereof has been completed to ENCSD 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 ENCSD so determines, ENCSD 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 ENCSD, ENCSD 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 Acquisition and Construction Fund. See Appendix E – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – ENCSD 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 COMMUNITY FACILITIES 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. 2015-02 (Rio Bravo)**

**Estimated Sources and Uses of Bond Proceeds**

<b>Sources:</b>	
Principal Amount of Bonds	_____
<b>Total Sources:</b>	_____
<b>Uses:</b>	
Deposit to Acquisition and Construction Fund	
Deposit to Reserve Fund	
Deposit to Redemption Fund <sup>(1)</sup>	
Underwriter’s Discount	
Costs of Issuance <sup>(2)</sup>	
<b>Total Uses:</b>	_____

<sup>(1)</sup> Represents capitalized interest on the Bonds through September 1, 2016.

<sup>(2)</sup> Includes legal, disclosure, trustee, special tax consultant, appraiser, issuer, printing and other issuance fees and costs.

## **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.

Although the Special Tax will constitute a lien on Taxable Property, 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 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 July 23, 2015 for the purpose of providing for the financing the acquisition of certain public facilities 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 July 23, 2015, the qualified electors within the District authorized the issuance of special tax bonds, not to exceed \$20,000,000 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 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 – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX”) in 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 in accordance with the rate and method of apportionment approved at the election held on July 23, 2015. The Rate and Method is summarized herein and attached as Appendix C.

Although the Special Tax will constitute a lien on Taxable Property, 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.”

#### **Rate and Method of Apportionment of Special Tax**

**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 (Resolution No. 15R-40, adopted July 23, 2015), which was approved by the qualified electors of the District. The Rate and Method apportions the total amount of Special Tax to be collected among the Taxable Property in the District as more particularly described herein. Capitalized terms not otherwise defined under this heading shall have the meaning given such terms in Appendix C – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Further, this description of the Rate and Method is qualified in all respects by the full text thereof, set forth in Appendix C hereto.

Under the Rate and Method, the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Developed Property until (i) the total Special Taxes levied under this step equals to the Special Tax Requirement, or (ii) the Special Tax levied on Developed Property equals 100% of the Maximum Special Tax on such Developed Property, whichever occurs first. The Maximum Special Tax for Non-Residential Property is \$11.33 per square foot of Non-Residential Floor Area or \$163,297 per Acre, when applied, whichever is greater. The Maximum Special Tax for (i) Residential Property, (ii) Taxable Property Owner Association Property, (iii) Taxable Public Property, and (iv) Undeveloped Property for fiscal year 2015-16 is \$163,297 per Acre. 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 (i) the total Special Taxes levied under the first step listed above are equal to the Special Tax Requirement, or (ii) the Special Tax levied on Undeveloped Property equals 100% of the Maximum Special Tax on such Undeveloped Property, whichever occurs first. If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor’s Parcel of Taxable Property Owner Association Property shall be levied Proportionately until the lesser of (i) the total Special Taxes levied under the first three steps listed above equal the Special Tax Requirement, or (ii) the Special Taxes levied on all Taxable Property Owner Association Property equal 100% of the Maximum Special Tax for Property Owner Association Property, whichever occurs first. If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the levy of the Special Tax on each Assessor’s Parcel of Taxable Public Property shall be levied Proportionately until (i) the total Special Taxes levied under the first four steps listed above are equal to the Special Tax Requirement, or (ii) the Special Taxes levied on all Taxable Public Property equal 100% of the Maximum Special Tax for Taxable Public Property, whichever occurs first.

The following table shows the debt service coverage for the Bonds based on annual, maximum Special Tax.

**Table 3  
California Statewide Communities Development Authority  
Community Facilities District No. 2015-02 (Rio Bravo)**

**Annual Maximum Special Tax and Estimated Debt Service Coverage\***

<b>Fiscal Year Ending June 30</b>	<b>Maximum Special Taxes (Developed Property) <sup>(1)</sup></b>	<b>Special Taxes (Undeveloped Property)</b>	<b>Administrative Expenses</b>	<b>CSCDA Annual Fee</b>	<b>Special Taxes Available for Debt Service <sup>(2)</sup></b>	<b>Debt Service*</b>	<b>Debt Service Coverage <sup>(3)</sup></b>
2016	\$735,702	-	-	-	\$735,702	\$584,063	1.26
2017	735,702	\$157,360	\$(30,000)	\$(27,813)	835,250	754,063	1.11
2018	735,702	158,543	(30,000)	(27,813)	836,433	755,138	1.11
2019	735,702	159,148	(30,000)	(27,813)	837,038	755,688	1.11
2020	735,702	159,175	(30,000)	(27,813)	837,065	755,713	1.11
2021	735,702	158,625	(30,000)	(27,813)	836,515	755,213	1.11
2022	735,702	157,498	(30,000)	(27,813)	835,388	754,188	1.11
2023	735,702	161,293	(30,000)	(27,813)	839,183	757,638	1.11
2024	735,702	158,722	(30,000)	(27,813)	836,611	755,300	1.11
2025	735,702	161,073	(30,000)	(27,813)	838,963	757,438	1.11
2026	735,702	157,058	(30,000)	(27,813)	834,948	753,788	1.11
2027	735,702	157,965	(30,000)	(27,813)	835,855	754,613	1.11
2028	735,702	158,007	(30,000)	(27,813)	835,896	754,650	1.11
2029	735,702	157,182	(30,000)	(27,813)	835,071	753,900	1.11
2030	735,702	160,990	(30,000)	(27,813)	838,880	757,363	1.11
2031	735,702	158,144	(30,000)	(27,813)	836,034	754,775	1.11
2032	735,702	159,932	(30,000)	(27,813)	837,821	756,400	1.11
2033	735,702	160,564	(30,000)	(27,813)	838,454	756,975	1.11
2034	735,702	160,042	(30,000)	(27,813)	837,931	756,500	1.11
2035	735,702	158,364	(30,000)	(27,813)	836,254	754,975	1.11
2036	735,702	161,032	(30,000)	(27,813)	838,921	757,400	1.11
2037	735,702	156,755	(30,000)	(27,813)	834,645	753,513	1.11
2038	735,702	156,824	(30,000)	(27,813)	834,714	753,575	1.11
2039	735,702	160,949	(30,000)	(27,813)	838,839	757,325	1.11
2040	735,702	157,842	(30,000)	(27,813)	835,731	754,500	1.11
2041	735,702	158,790	(30,000)	(27,813)	836,680	755,363	1.11
2042	735,702	158,007	(30,000)	(27,813)	835,896	754,650	1.11
2043	735,702	160,990	(30,000)	(27,813)	838,880	757,363	1.11
2044	735,702	156,453	(30,000)	(27,813)	834,343	753,238	1.11
2045	735,702	125,089	(30,000)	0	830,791	752,538	1.10

Source: RBC Capital Markets, LLC.

\* Preliminary, subject to change.

(1) Based on the levy of the Maximum Special Tax against currently developed property consisting of the Cancer and Imaging Center (APN 434-010-73).

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

(3) Based on the preliminary Debt Service Schedule provided by RBC Capital Markets, LLC on June 4, 2015.

(4) Debt service on March 1, 2016 will be paid from capitalized interest.

## **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 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 \$\_\_\_\_\_ 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 Rate and Method on all Developed Property (as defined in the Rate and Method) during each Fiscal Year that any Bonds and Additional Bonds of such Series will be Outstanding (excluding the estimated Special Tax from any Developed 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 Developed Property (excluding any Developed 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 Developed Property or the appraised value of a Developed Property determined by an MAI appraiser, and the term "Value-to-Lien Ratio" means the ratio of the Value of all Developed 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 Developed 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 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 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, 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**

SeEVERS Jordan Ziegenmeyer (the “**Appraiser**”), has prepared an appraisal of the Taxable Property, dated July 23, 2015, which estimates the value of the Taxable Property as of such date (the “**Appraisal**”). The Appraisal is attached to this Official Statement as Appendix B. The Appraisal estimates only the value of existing parcels in the District, which are to be subject to the lien of Special Tax on the County’s 2015-16 assessment roll (collectively, the “**Appraised Parcels**”).

The Appraisal is based on a number of general assumptions and limiting conditions. The general assumptions and limiting conditions in the Appraisal are set forth below.

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. No responsibility is assumed for matters of law or legal interpretation.
3. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
4. The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.
5. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
6. It is assumed the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
7. It is assumed the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
8. It is assumed all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

9. It is assumed the use of the land and improvements is confined within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the report.
10. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.
11. The Americans with Disabilities Act (“ADA”) became effective January 26, 1992. The Appraiser has not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.
12. The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.
13. Possession of the report or a copy thereof does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers Jordan Ziegenmeyer.
14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers Jordan Ziegenmeyer. Seevers Jordan Ziegenmeyer authorizes the reproduction of this document to aid in bond underwriting and in the issuance of bonds.
15. Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.
16. An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.

Using these assumptions and conditions in the Appraisal, the Appraiser estimates that the hypothetical market value of the Appraised Parcels is estimated to be \$47,890,000 as of the valuation date of the inspections. 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 COMMUNITY FACILITIES DISTRICT–Public Infrastructure” for a discussion of the current status of the Improvements, which have not been fully completed as of the date hereof. In addition, the estimate of value assumes the proposed Cancer and Imaging Center Improvements have been completed. The assessed values as shown on the fiscal year 2015/16 equalized assessment

roll for the property is \$4,659,506. 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 Appraisal, including all attachments and appendices, is reproduced in Appendix B. The information contained herein is only a summary of certain information contained in the Appraisal, and such information is qualified in its entirety by the complete Appraisal. See “SPECIAL RISK FACTORS – Appraisal 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. Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Act. 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, ENCSD 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 the District. 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 the District at any time. Under 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.

Set forth below is an overlapping debt table showing the existing authorized indebtedness payable with respect to property within the District. Additional indebtedness could be authorized by other public agencies at any time. This table has been prepared by California Municipal Statistics, Inc. as of July 1, 2015, and is included for general information purposes only. California Municipal Statistics, Inc., allocates overlapping debt based on the assessed value of property and not on taxes paid. The Authority has not reviewed the data for completeness or accuracy and makes no representations in connection therewith.

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**Table 4**  
**California Statewide Communities Development Authority**  
**Community Facilities District No. 2015-02 (Rio Bravo)**

2014-15 Local Secured Assessed Valuation: \$4,659,506

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/15</u>
Kern Community College District Safety Repair and Improvement District General Obligation Bonds	0.005%	\$ 8,092
Kern High School District General Obligation Bonds	0.009	16,490
Bakersfield City School District General Obligation Bonds	0.055	35,045
<b>CSCDA Community Facilities District No. 2015-02 – Rio Bravo</b>	<b>100.</b>	<b>0<sup>(1)</sup></b>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$59,627</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Kern County General Fund Obligations	0.005%	\$ 5,562
Kern County Pension Obligation Bonds	0.005	14,717
Kern County Board of Education District Certificates of Participation	0.005	2,007
Kern Community College District Certificates of Participation	0.005	1,940
Kern Community College District Benefit Obligation Bonds	0.005	4,031
Kern High School District General Fund Obligations	0.009	13,624
City of Bakersfield Certificates of Participation	0.019	<u>3,507</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$45,388
COMBINED TOTAL DEBT		\$105,015 <sup>(2)</sup>

(1) Excludes the Bonds.

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

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt.....</b>	<b>0.00%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	1.28%
Combined Total Debt.....	2.25%

Source: California Municipal Statistics.

Other than as described herein, the property in the District 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, ENCSD or the Developer.

**Estimated Value-to-Lien Debt Ratios**

The appraised value of the property subject to the lien of the Special Tax, as estimated by the Appraiser as of July 15, 2015, subject to the methodology and assumptions contained in the Appraisal, is \$47,890,000, leading to a value to lien of approximately 4.3 times the aggregate principal amount of the Bonds.

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**Table 5**  
**California Statewide Communities Development Authority**  
**Community Facilities District No. 2015-02 (Rio Bravo)**

**Value-to-Lien by Land Use\***

<b>Land Use</b>	<b>Number of Acres<sup>(1)</sup></b>	<b>Maximum Special Tax<sup>(2)</sup></b>	<b>Status</b>	<b>% of Maximum Special Tax</b>	<b>Projected Levy<sup>(3)</sup></b>	<b>% of Levy</b>	<b>Total Appraised Value<sup>(4)</sup></b>	<b>Direct Debt</b>	<b>Direct Value-to-Lien</b>
Transitional & Retail Land	32.08	5,238,568	Undeveloped	71%	150,282	16.31%	5,863,618	1,370,000	4.28
Medical & Professional Offices	8.31	1,356,998	Undeveloped	19%	39,490	4.29%	4,446,382	360,000	12.35
Cancer & Imaging Center	4.48	731,571	Developed	10%	731,571	79.40%	37,580,000	9,395,000	4.00
<b>Total</b>	<b>44.87</b>	<b>7,327,136</b>		<b>100%</b>	<b>921,343</b>	<b>100.00%</b>	<b>47,890,000</b>	<b>11,125,000</b>	<b>4.30</b>

**Table 6**  
**California Statewide Communities Development Authority**  
**Community Facilities District No. 2015-02 (Rio Bravo)**

**Value-to-Lien by Parcel\***

<b>APN</b>	<b>Land Use</b>	<b>Number of Acres<sup>(1)</sup></b>	<b>Maximum Special Tax<sup>(2)</sup></b>	<b>Status</b>	<b>% of Maximum Special Tax</b>	<b>Projected Levy<sup>(3)</sup></b>	<b>% of Levy</b>	<b>Total Appraised Value<sup>(4)</sup></b>	<b>Direct Debt</b>	<b>Direct Value-to-Lien</b>
4340105000100	Transitional	4.29	700,544	Undeveloped	10%	20,294	2%	556,149	185,000	3.01
4340106500500	Transitional / Retail	13.61	2,222,472	Undeveloped	30%	63,623	7%	1,764,380	580,000	3.04
4340106700100	Retail	14.18	2,315,551	Undeveloped	32%	66,365	7%	3,543,089	605,000	5.86
4340107000900	Medical & Professional Offices	2.65	432,737	Undeveloped	6%	12,615	1%	1,347,153	115,000	11.71
4340107100200	Medical & Professional Offices	3.11	507,854	Undeveloped	7%	14,809	2%	1,580,763	135,000	11.71
4340107200500	Medical & Professional Offices	2.55	416,407	Undeveloped	6%	12,066	1%	1,518,467	110,000	13.80
4340107300800	Cancer & Imaging Center	4.48	731,571	Developed	10%	731,571	79%	37,580,000	9,395,000	4.00
<b>Total</b>		<b>44.87</b>	<b>7,327,136</b>		<b>100%</b>	<b>921,343</b>	<b>100%</b>	<b>47,890,000</b>	<b>11,125,000</b>	<b>4.30</b>

Source: Except as noted, RBC Capital Markets, LLC .

\* Preliminary, subject to change.

(1) Source: Kern County Assessor Recorder.

(2) Maximum Special Tax estimated as \$163,297 per acre.

(3) Calculation of projected levy includes Series 2015A principal and interest and administrative costs.

(4) Source: Seevers Jordan Ziegenmeyer, Appraisal dated July 23, 2015.

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 – Appraisal 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 the District 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. All of the Taxable Property in the District is currently owned by the Developer. THE BONDS REPRESENT A HIGH DEGREE OF SPECULATIVE RISK. Investment in the Bonds involves risks that may not be appropriate for some investors.

### **Insufficiency of Special Tax**

Under the 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 90% of the acreage in the District is classified as Undeveloped Parcels. 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 the District. 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 the District does not constitute a personal obligation of the current or subsequent owners of the property in the District. Enforcement of Special Tax payment obligations is limited to judicial foreclosure in the Kern 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 COMMUNITY FACILITIES 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 – FDIC/Federal Government Interests in Properties” 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.

### **Shapiro v. San Diego**

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *Shapiro v. San Diego City Council*, 117 Cal. Rptr. 2d 631, 96 Cal. App. 4th 904 (2002). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego, much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in all of the City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties.

At the election to authorize such special tax, the electorate was limited to owners of hotel properties and lessees of certain of such hotel properties. Thus, the election was a landowner election limited to owners and lessees of properties on which the special tax would be levied, and not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California



Constitution because Article XIII A, Section 4 thereof and Article XIII C, Section 2 thereof require that the electors in such an election be the registered voters within the district.

In the case of the CCFD, at the time of the election there were many, many registered voters within the CCFD (viz., all of the registered voters in the City of San Diego). In the case of the District, there were no registered voters within the District at the time of the election to authorize the Special Tax. In City of San Diego, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court's holding does not apply to the special tax election in the District. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters."

### **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. No remaining discretionary approvals exist for the parcels zoned C-2. Development of the land zoned R-2 could require a General Plan Amendment/Zone Change and parcelization. Development of the land zoned C-2 could require parcelization. Development of both areas will require site plan review.

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 presently 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 COMMUNITY FACILITIES 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 "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.

### **Drought State of Emergency**

On January 17, 2014, with California facing water shortfalls in the then driest year in recorded state history, Governor Edmund G. Brown Jr. proclaimed a State of Emergency and directed state officials to take all necessary actions to prepare for these drought conditions. In the State of Emergency declaration, Governor Brown directed state officials to assist farmers and communities that are economically impacted by dry conditions and to ensure the State can respond if Californians face drinking water shortages. The Governor also directed state agencies to use less water and hire more firefighters and initiated a greatly expanded water conservation public awareness. In addition, the proclamation gave state water officials more flexibility to manage supply throughout California under drought conditions.

California set a new “low water” mark on April 1, 2015, with its early-April snowpack measurement. The statewide electronic reading of the snowpack’s water content stood at 5 percent of the April 1st average. April 1, 2015’s content was only 1.4 inches, or 5 percent of the 28-inch average. The lowest previous reading since 1950 was 25 percent of average, so 2015 is the driest winter in California’s written record.

In April 2015, Governor Edmund G. Brown issued an Executive Order that directed the State Water Resources Control Board (“**SWRCB**”) to implement mandatory water reductions in cities and towns across California to reduce potable urban water usage by 25 percent statewide.

The emergency regulations developed by the SWRCB became effective May 15, 2015, and include two items that directly impact newly constructed homes and buildings. First, irrigation with potable water outside of newly constructed homes and buildings inconsistent with regulations or other requirements established by the California Building Standards Commission and the Department of Housing and Community Development is prohibited. Second, the Department of Water Resources shall update the Model Water Efficient Landscape Ordinance to increase water efficiency standards for new and existing landscapes. Specifically, these two requirements prohibit use of potable water for irrigation outside of new home construction without drip or microspray systems. The emergency regulations do not limit new construction for the State and thus, are only expected to impact the water for outdoor irrigation as described above.

The implementation of mandatory water reductions is ongoing. The Authority cannot predict how long the drought conditions will last, what effect drought conditions may have on property values or whether or to what extent water reduction requirements may affect the construction of improvements within the District.

### **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 the District. The Developer is currently the owner of all of the Taxable Property within the District. The anticipated sale of commercial lots will diversify ownership of real property within the District. See “THE COMMUNITY FACILITIES DISTRICT – Plan and Status of Development” and “–Ownership of Property.”

The Developer intends to sell part of the Property currently zoned for commercial uses to a retail developer. No representation is made as to the experience, abilities or financial resources of any future owner of property in the District, the willingness of any future owner to pay the Special Tax when due 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.

## **Appraisal Risks**

The Appraiser has estimated the hypothetical market value of the property in the District on the basis of certain assumptions which the Appraiser believes to be reasonable under the circumstances. See the Appraisal 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 Appraisal 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 COMMUNITY FACILITIES 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 the District 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 the District 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 the District 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.

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, including local court calendars and procedural delays.

## **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 landowner or lender will consider such obligation for Special Tax in the purchase of all or a portion of the Property 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 the District 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 is to be billed to the properties within the District 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 the District to pay the Special Tax when due.

The Developer has informed the Authority that it has complied with all mitigation measures required in the Mitigated Negative Declaration adopted by the City Council on February 13, 2008, and all conditions required by the City as part of other project approvals.

## **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 the District 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. According to the Seismic Safety Commission, the District is located within "Zone 4," which is considered to be the highest risk zone in California. There are only two zones in California: (i) Zone 4, which is assigned to areas near major faults; and (ii) Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the District is located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 of the California Department of Conservation, Division of Mines and Geology. 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.* According to the Federal Emergency Management Agency ("FEMA") National Flood Insurance Program, Flood Insurance Rate Map ("FIRM"), the District is located in Community Panel 060077-1845E, dated September 26, 2008. The District is stated in Flood Zone X, described as (i) areas of 500-year flood, (ii) areas of 100-year flood with average depths of less than one foot or with drainage areas less than one square mile, and (iii) areas protected by levees from 100-year flood.

## **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 the District, as set forth in the Appraisal, assumes 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.

## **FDIC/Federal Government Interests in Properties**

The ability of the Authority to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “**FDIC**”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Under the Supremacy Clause of the United States Constitution, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments. Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson*, 597 F.2d 174 (1979), the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“**FNMA**”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

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

In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, then the ability of the Authority to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC’s policy statement regarding the payment of state and local real property taxes (the “**Policy Statement**”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed

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

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

Currently, the FDIC does not have an interest in any land within the District. The Authority is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at foreclosure sale. 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 constitutes 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 the District as of July 15, 2015. 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 the District, or an increase in bond debt liens on property in the District, or both, could result in a lowering of the value-to-lien debt ratios of the property in the District.

### **Limitations on Remedies; No Acceleration**

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 E – “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, receivership, reorganization, arrangement, fraudulent conveyance, 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 joint powers authorities in the State of California.

### **Right to Vote on Taxes Act**

Article XIII C and Article XIII D 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 XIII C and XIII D 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 XIII C 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 XIII C 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 XIII C and XIII D 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 XIII C and XIII D 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. The financial information and operating data will be provided annually on or before April 1 for the twelve months ended on the preceding June 30, commencing April 1, 2016. A form of the Authority’s undertaking is included in Appendix F – “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 contracted with David Taussig and Associates, Inc. for all of its continuing disclosure undertakings with respect to the Bonds. Certain event filings on the Authority’s Statewide Community Infrastructure Program Revenue Bonds, Series 2008A, Series 2010A and 2011A were filed more than 10 days after an unscheduled draw on the respective reserve funds.

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, 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 F – “FORMS OF CONTINUING DISCLOSURE CERTIFICATES.” Such information is to be provided or caused to be provided by the Developer annually not later than April 1 of each year, commencing April 1, 2016. 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 will be responsible for all of its continuing disclosure undertakings with respect to the Bonds. The Developer has no other continuing disclosure undertakings.



## 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 D 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 Jones Hall, A Professional Law Corporation, San Francisco, California. Orrick, Herrington & Sutcliffe LLP is also acting as Disclosure Counsel to the Authority.

## TAX MATTERS

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 (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 D.

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 amounts treated as 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. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. 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.

## UNDERWRITING

The Bonds are being purchased by RBC Capital Markets, LLC (the "**Underwriter**"). Pursuant to a Bond Purchase Contract between the Underwriter and the Authority (the "**Purchase Contract**"), the Underwriter has agreed to purchase all of the Bonds for an aggregate purchase price of \$ \_\_\_\_\_, subject to certain conditions set forth in the Purchase Contract. The purchase price reflects an underwriter's discount of \$ \_\_\_\_\_ and an original issue premium of \$ \_\_\_\_\_. The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority.

#### **NO RATINGS**

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

**MISCELLANEOUS**

The quotations from, and the summaries and explanations of the Indenture and other statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for the full and complete statements of their respective provisions.

This Official Statement is submitted only in connection with the initial offering of the Bonds by the Authority, and is not to be used for any other purpose. This Official Statement does not constitute a contract with the purchasers of the Bonds.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

**CALIFORNIA STATEWIDE COMMUNITIES  
DEVELOPMENT AUTHORITY**

By: \_\_\_\_\_  
Authorized Signatory

**APPENDIX A**

**GENERAL INFORMATION ABOUT THE CITY OF BAKERSFIELD 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 Bakersfield 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. 2015-02 (Rio Bravo) (the “**District**”) is located within the City of Bakersfield (the “**City**”), the county seat of Kern County (the “**County**”). The City is a Charter City that offers a full range of City services including fire and police protection, streets and infrastructure maintenance, planning and community development, parks and recreation services, water utility, municipal airpark – general aviation and wastewater treatment. The City is located approximately 100 miles north of Los Angeles in the southern San Joaquin Valley. The City maintains an incorporated area of 150 square miles and has an estimated population of 369,505 as of January 1, 2015.

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. 2015-02 (Rio Bravo), Special Tax Bonds, Series 2015A (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 City’s population for the last five years.

**TABLE A  
CITY OF BAKERSFIELD  
City Population  
2011-2015**

<b>As of January 1</b>	<b>City Population</b>
2011	350,019
2012	355,212
2013	360,907
2014	365,504
2015	369,505

*Source:* California Department of Finance, E-4 Population Estimates for Cities, Counties, and State, 2011-2015 with 2010 Benchmark.

Table B sets forth the median age of the City's residents for fiscal years 2009-10 to 2013-14.

**TABLE B**  
**CITY OF BAKERSFIELD**  
**Median Age**  
**2009-2013<sup>(1)</sup>**

Fiscal Year	Median Age <sup>(2)</sup>
2009-10	30.8
2010-11	29.5
2011-12	29.5
2012-13	29.8
2013-14	30.0

<sup>(1)</sup> Most recent data available as of the date of the Official Statement.

<sup>(2)</sup> U.S. Census Bureau estimate for Bakersfield Metropolitan area.

Source: City of Bakersfield Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.

### Employment

Table C sets forth the civilian labor force, the employed labor force, the unemployed labor force and the unemployment rate for the City, County and State for calendar years 2010 to 2014.

**TABLE C**  
**CITY OF BAKERSFIELD, KERN COUNTY, STATE OF CALIFORNIA**  
**Labor Force**  
**2010-2014<sup>(1)</sup>**

	Year	Civilian Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
<b>City</b>	2010	166,800	143,400	23,400	14.1%
	2011	171,900	149,100	22,800	13.3
	2012	176,900	156,000	20,800	11.8
	2013	177,700	159,000	18,700	10.5
	2014	178,200	161,600	16,600	9.3
<b>County</b>	2010	371,800	313,700	58,200	15.6%
	2011	382,900	326,300	56,600	14.8
	2012	393,100	341,400	51,700	13.2
	2013	394,200	348,000	46,300	11.7
	2014	394,800	353,600	41,200	10.4
<b>State</b>	2010	18,336,300	16,091,900	2,244,300	12.2%
	2011	18,419,500	16,260,100	2,159,400	11.7
	2012	18,554,800	16,630,100	1,924,700	10.4
	2013	18,671,600	17,002,900	1,668,700	8.9
	2014	18,811,400	17,397,100	1,414,300	7.5

<sup>(1)</sup> Most recent data available as of the date of the Official Statement.

Source: California Employment Development Department.

Table D sets forth the income levels for the City for fiscal years 2009-10 to 2013-14.

**TABLE D**  
**CITY OF BAKERSFIELD**  
**Personal Income and Per Capita Personal Income**  
**Fiscal Years 2009-10 to 2013-14<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Personal Income (millions)</b>	<b>Per Capita Personal Income</b>
2009-10	\$7,034	\$21,071
2010-11	7,007	20,675
2011-12	7,640	21,553
2012-13	7,862	21,887
2013-14	8,074	21,980

<sup>(1)</sup> Most recent data available as of the date of the Official Statement.

*Source:* City of Bakersfield Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.

Table E sets forth the top ten employers in the City as of June 30, 2014.

**TABLE E**  
**CITY OF BAKERSFIELD**  
**Principal Employers**  
**(As of June 30, 2014)<sup>(1)</sup>**

<b>Firm</b>	<b>Employees</b>
County of Kern	7,811
Kern High School District	3,888
Bakersfield City School District	3,203
San Joaquin Community Hospital	2,039
Panama-Buena Vista Union School District	2,038
Wm. Bolthouse Farms	1,937
Chevron Corp.	1,873
Nabors Completion & Production Services	1,700
Bakersfield Memorial Hospital	1,650
City of Bakersfield	1,455
Others	138,506
<b>Total</b>	<b>166,100</b>

<sup>(1)</sup> Most recent data available as of the date of the Official Statement.

*Source:* City of Bakersfield Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.

## Education

Table F summarizes the percentage of the City's population with formal schooling for fiscal years 2009-10 to 2013-14.

**TABLE F**  
**CITY OF BAKERSFIELD**  
**Fiscal Years 2009-10 to 2013-14<sup>(1)</sup>**

Fiscal Year	Education Level % of Population With Formal Schooling <sup>(2)</sup>
2009-10	78.1%
2010-11	77.8
2011-12	78.1
2012-13	77.8
2013-14	78.2

<sup>(1)</sup> Most recent data available as of the date of the Official Statement.

<sup>(2)</sup> Percent of City's population 25 years and older who are high school graduates or higher.

*Source:* City of Bakersfield Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.

## Building Activity

Table G sets forth the City's annual building permit valuations for fiscal years 2009-10 through 2013-14.

**TABLE G**  
**CITY OF BAKERSFIELD**  
**Property Value, Construction and Bank Deposits<sup>(1)</sup>**  
**Fiscal Years 2009-2010 through 2013-14<sup>(2)</sup>**

Fiscal Year <sup>(3)</sup>	Commercial Construction		Residential Construction		Other Construction	Total Construction		Bank Deposits <sup>(4)</sup>
	Number of Units	Value	Number of Units	Value	Value	Number of Units	Value	
2009-10	83	\$62,088	1,097	\$232,275	\$86,668	1,180	\$381,031	\$4,728,745
2010-11	40	13,425	848	197,380	98,057	888	308,862	5,172,880
2011-12	40	41,482	422	92,313	81,984	462	215,779	5,280,515
2012-13	49	20,807	1,122	259,851	108,877	1,171	389,535	5,626,755
2013-14	69	15,710	1,336	312,569	157,024	1,405	485,303	6,069,764

<sup>(1)</sup> Property values and bank deposits reported in thousands.

<sup>(2)</sup> Most recent data available as of the date of the Official Statement.

<sup>(3)</sup> Construction units and values are based on a 12-month calendar year. June 30, 2014 data reflects the 2013 calendar year.

<sup>(4)</sup> Federal Deposit Insurance Corporation.

*Source:* City of Bakersfield Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.



## Commercial Activity

Table H sets forth information regarding taxable sales in the City for calendar years 2009-2013.

**TABLE H**  
**CITY OF BAKERSFIELD**  
**Taxable Retail Sales**  
**2009-2013<sup>(1)</sup>**  
**(000s)**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Motor Vehicles and Parts Dealers	\$ 631,773	\$ 694,631	\$ 862,869	\$1,067,814	\$1,131,743
Home Furnishings and Appliance Stores	170,486	116,364	188,226	203,522	203,213
Bldg. Materials & Garden Equip. & Supplies	268,924	261,174	290,507	310,438	317,048
Food and Beverage Stores	212,056	204,016	211,361	222,062	225,480
Gasoline Stations	396,688	447,576	564,575	549,632	528,471
Clothing and Clothing Accessories Stores	218,590	236,335	269,360	294,763	306,086
General Merchandise Stores	774,005	823,053	864,978	904,090	909,123
Food Service and Drinking Places	472,545	472,078	517,877	568,883	596,891
Other Retail Group	346,582	339,647	354,232	371,044	387,459
<b>Total Retail and Food Services</b>	<b>\$3,491,649</b>	<b>\$3,644,874</b>	<b>\$4,123,995</b>	<b>\$4,492,248</b>	<b>\$4,605,514</b>
All Other Outlets	930,474	1,022,871	1,326,385	1,462,546	1,441,019
<b>Total All Outlets</b>	<b>\$4,422,123</b>	<b>\$4,667,745</b>	<b>\$5,450,380</b>	<b>\$5,954,794</b>	<b>\$6,046,533</b>

<sup>(1)</sup> Most recent data available as of the date of the Official Statement.

Source: California State Board of Equalization

There are three major shopping centers in the City. Major department stores with local outlets include Macy's, J.C. Penney, Sears, and Kohl's. The retail base includes three Wal-Mart stores, three Target stores, three Home Depot stores, two Lowe's Home Improvement Stores, two Costco stores, and a Sam's Club.

Table I sets forth the number of sales permits issued and the valuation of taxable transactions for the calendar years 2009 through 2013.

**TABLE I**  
**CITY OF BAKERSFIELD**  
**Number of Permits and Valuation of Taxable Transactions**  
**2009-2013<sup>(1)</sup>**  
**(000s)**

<b>Year</b>	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	<b>Number of Permits</b>	<b>Taxable Transactions</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>
2009	4,771	\$3,491,649	6,929	\$4,422,123
2010	5,061	3,644,874	7,189	4,667,745
2011	5,254	4,123,995	7,334	5,450,380
2012	5,416	4,492,248	7,520	5,954,794
2013	5,712	4,605,514	7,700	6,046,533

<sup>(1)</sup> Most recent data available as of the date of the Official Statement.

Source: California State Board of Equalization

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**APPENDIX B**  
**APPRAISAL**

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# Appraisal Report

## Rio Bravo Medical Campus and Excess Land

SWQ State Highway 178 and Morning Drive  
Bakersfield, California 93306

*California Statewide Communities Development  
Authority Community Facilities District (Rio  
Bravo)*



**Date of Report:** July 23, 2015

### Prepared For:

Mr. James F. Hamill, Managing Director  
Mr. Jon Penkower, Managing Director  
California Statewide Communities  
Development Authority  
1700 North Broadway, Suite 405  
Walnut Creek, California 94596

### Prepared By:

Eric A. Segal, Appraiser  
Sara A. Gilbertson, Appraiser



Seevers  
Jordan  
Ziegenmeyer

Real Estate Appraisal & Consultation



July 23, 2015

Mr. James F. Hamill, Managing Director  
Mr. Jon Penkower, Managing Director  
California Statewide Communities  
Development Authority  
1700 North Broadway, Suite 405  
Walnut Creek, California 94596

RE: Rio Bravo Medical Campus and Excess Land  
SWQ State Highway 178 and Morning Drive  
Bakersfield, California 93306

Messrs. Hamill and Penkower:

At your request and authorization, Seevers • Jordan • Ziegenmeyer has prepared an Appraisal Report pertaining to the above referenced property. This report is written in conformance with the requirements set forth under Standards Rule 2-2(a) of the 2014-15 edition of the Uniform Standards of Professional Appraisal Practice (USPAP).

The subject property encompasses seven Kern County Assessor's parcels zoned for office, regional commercial and residential (transitional) development. The portion zoned for office comprises four parcels (434-010-70 through -73), of which one parcel (434-010-73) was under construction as of the date of inspection. Upon completion, this parcel will consist of a two-story, multi-tenant cancer and imaging center totaling 66,139± square feet of rentable area on 4.48± acres. Based on existing leasing activity, it is anticipated this building will be leased to stabilized occupancy upon completion of construction. The remaining three office parcels range in size from 2.65 and 3.11 acres and are planned for future medical office buildings. The portion zoned for regional commercial use comprises 16.07± acres, while the transitional land encompasses 17.13± acres and is currently zoned for multifamily residential development. The majority of the property is undeveloped with some site work completed. A more detailed legal and physical description of the subject property is contained within the attached report. The subject property comprises the CSCDA SCIP CFD No. 2014-01 (Rio Bravo).

The purpose of this appraisal is to provide the market value of the District, subject to the hypothetical condition, which assumes all public facilities (Morning Drive extension, sewer, storm drain, and water) are in place and available for use, and will be financed by the California Statewide Communities Development Authority SCIP Community Facilities District Bonds. In addition, the estimate of value assumes the proposed cancer and imaging center improvements have been

Mr. James F. Hamill  
Mr. Jon Penkower  
July 23, 2015  
Page 2

completed. The effective date of value is July 15, 2015 which was the date of inspection.

As a result of the analysis herein, it is our opinion the market value (*leased fee* and *fee simple interest*) of the District, subject to the lien of the special tax securing the California Statewide Communities Development Authority SCIP Community Facilities District Bonds, in accordance with the aforementioned hypothetical condition, and in accordance with the definitions, certifications, general assumptions and limiting conditions set forth in the attached document (please refer to pages 7 through 9), is...

**FORTY SEVEN MILLION EIGHT HUNDRED NINETY THOUSAND DOLLARS**  
**\$47,890,000**

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

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

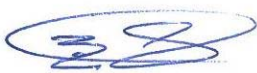
The subject property does not have any significant natural, cultural, recreational or scientific value. The appraisers certify this appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.

This letter must remain attached to the report, which contains 120 pages, plus related exhibits and Appendix, in order for the value opinions contained herein to be considered valid.

This appraisal has been performed in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

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

Sincerely,



Eric A. Segal, Appraiser  
State Certification No.: AG026558  
Expires: February 18, 2017



Sara A. Gilbertson, Appraiser  
State Certification No.: 3002204  
Expires: May 29, 2016

/mlm

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**SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**

**Appraised Property:** The subject property comprises undeveloped land within the boundaries of the City of Bakersfield, as well as a 66,139± square foot cancer and imaging center currently under construction.

**Location:** The subject property is located at the southwest quadrant of State Highway 178 and Morning Drive, within the city of Bakersfield, Kern County, California.

**Assessor's Parcel Numbers:** 434-010-50, -65, -67, and -70 through -73

**Street Address:** APNs 434-010-50, -65, and -67 share the street address 4610 Morning Drive, Bakersfield, California 93306; while APNs 434-010-70 through -73 have not yet been assigned a street address.

**Owner of Record:** Rio Bravo Medical Campus, LLC

**Zoning/Land Use:** The subject property is zoned for professional and administrative office (C-O), regional commercial within a planned commercial development (C-2/PCD), and one-family and limited multifamily development (R-1 and R-2).

**Land Area:**

Medical Office Component	13.22± acres
Retail Component	16.07± acres
Transitional Land Component	<u>17.13± acres</u>
Total	46.42± acres

The land areas above are from the project site plan provided to the appraisers. The total land area is somewhat larger than that according to the Kern County Assessor's parcel map (44.87± acres).

**Flood Zone:** According to the Federal Emergency Management Agency (FEMA) National Flood Insurance Program, Flood Insurance Rate Map (FIRM) the subject property is located in Community Panel 060077-1845E, dated September 26, 2008. The property is situated in Flood Zone X, described as areas of 500-year flood; areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 100-year flood.

**Earthquake Zone:** According to the Seismic Safety Commission, the subject site is located within Zone 4, which is considered to be

the highest risk zone in California. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the subject is located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.

**Highest and Best Use:**

Medical Office Component

Completion of the cancer and imaging center as proposed and construction of the three other office sites as demand warrants

Retail Component

Construction of a retail center following the completion of the Morning Drive interchange

Transitional Land Component

Rezone to office use for the development of supportive medical offices

**Exposure and Marketing Time:**

12 months

**Date of Inspection:**

July 15, 2015

**Effective Date of Value:**

July 15, 2015

**Date of Report:**

July 23, 2015

**Property Rights Appraised:**

Fee simple and leased fee interest

**Conclusion of Value:**

\$47,890,000

## **CLIENT, INTENDED USER AND INTENDED USE**

The client for this appraisal assignment is the California Statewide Community Development Authority. This report is intended to be used for bond underwriting purposes.

## **APPRAISAL REPORT FORMAT**

This document is an Appraisal Report, intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the 2014-15 edition of the Uniform Standards of Professional Appraisal Practice (USPAP).

## **TYPE AND DEFINITION OF VALUE**

The purpose of this appraisal is to estimate the market value of the District as of the date of inspection. Market value is defined as follows:

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

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

## **PROPERTY RIGHTS APPRAISED**

The market values derived herein are for the fee simple estate and leased fee interest, which are defined as follows.

**Fee Simple Estate:** absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.<sup>2</sup>

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<sup>1</sup> Code of Federal Regulations, Title 12, Section 34.42 (55 Federal Register 34696, Aug. 24, 1990; as amended at 57 Federal Register 12202, Apr. 9, 1992; 59 Federal Register 29499, June 7, 1994).

<sup>2</sup> The Dictionary of Real Estate Appraisal, 5<sup>th</sup> ed. (Chicago: Appraisal Institute, 2010), 78.

***Leased Fee Interest:*** a freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship.<sup>3</sup>

## **DATES OF INSPECTION, VALUE AND REPORT**

An inspection of the subject property was completed on July 15, 2015 which represents the effective date of market value herein. This appraisal report was completed and assembled on July 23, 2015.

## **SCOPE OF WORK**

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

Several legal and physical aspects of the subject property was researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. Interviews were conducted with Mr. Gary Bruno, President/CEO of G.L. Bruno associates (the property owner and developer), regarding the project history, leasing and further development plans for the balance of the site. Documents provided for use in our analysis included a site plan, construction budget, rent roll, and copies of lease agreements. The sales history was verified by consulting public records. The subject’s zoning and entitlements, earthquake zone, flood zone, utilities, and tax information were verified with applicable public agencies.

Data relating to the subjects’ neighborhood and surrounding market areas were analyzed and documented. This information was obtained through personal inspections of portions of the neighborhood and market areas, newspaper articles, real estate conferences and interviews with various market participants, including property owners, property managers, brokers, developers and local government agencies.

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

In the first section, the market value of the cancer and imaging center was estimated using two of the three traditional approaches to value – the cost and income capitalization approaches. Since this building will represent new construction, the high construction costs required for such an

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<sup>3</sup> The Dictionary of Real Estate Appraisal, 5<sup>th</sup> ed. (Chicago: Appraisal Institute, 2010), 111.

improvement and the intent of the owner to operate the property as a leased investment, these approaches are the most reliable indicator of market value. The conclusions reached through each approach were then reconciled into a final estimate of market value (based on a hypothetical condition). Due to the specialized improvements required for this building, properties similar to the subject's cancer and imaging center do not often transfer; however, we were able to identify several medical office sales throughout the region that transferred with similar high end medical office improvements to support our reconciled market value.

In the second section of the valuation analysis, the market value of the undeveloped land was estimated using the sales comparison approach to value; the land was compared to transactions of similarly zoned land (office and retail) throughout the region to derive an estimate of as-is market value for the excess medical office, retail and transitional land.

We were requested to provide the market value of the District, subject to the lien of the special tax securing the California Statewide Communities Development Authority SCIP Community Facilities District (Rio Bravo). Therefore, in the final section of the valuation analysis, a discounted cash flow analysis (DCF) was utilized to provide the market value, in bulk, of the District. Under the discounted cash flow analysis, the expected revenue, absorption period, expenses and discount rate associated with the sell-off of the individual land parcels within the District was utilized. A DCF analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate. The results of this discounted cash flow is the final conclusion of market value, subject to the hypothetical condition all public facilities (Morning Drive extension, sewer, storm drain, and water), to be financed by the California Statewide Communities Development Authority SCIP Community Facilities District Bonds are in place and available for use. In addition, the estimate of value assumes the proposed cancer and imaging center improvements have been completed.

The individuals involved in the preparation of this appraisal include Eric A. Segal and Sara A. Gilbertson, Appraisers. Mr. Segal and Ms. Gilbertson inspected the subject property. Ms. Gilbertson assisted in 1) reviewing the subject property information provided by the owner/developer, 2) the collection and confirmation of market data, 3) the analysis of the market data, and 4) preparing the draft report. Mr. Segal 1) reviewed Ms. Gilbertson's research, 2) made any necessary revisions and/or amplifications, and 3) completed the final report.

## **EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS**

It is noted the use of an extraordinary assumption or hypothetical condition can impact the results of an appraisal.

### **Extraordinary Assumptions**

1. The developer's cost budget for the proposed improvements was provided for this appraisal (see Appendix). These costs were determined to be reasonable based on an analysis of cost estimates extracted from the Marshall Valuation Service, published by Marshall & Swift. Any significant change between the developer's budgeted and actual construction costs could result in a change in the market value conclusion contained herein. It is *assumed* the costs provided reasonably approximate the final cost to construct the cancer and imaging center of the subject.
2. A leasing summary dated July 13, 2015 (see Appendix) was provided by the property owner, which details the terms of the subject's pending leases. According to Ms. Elizabeth Rojo, Vice President of Operation for G.L. Bruno (the developer), the terms stipulated in the leasing summary will not be changing significantly in the course of the remaining negotiations with the prospective tenants. It is specifically *assumed* the terms stipulated in the leasing summary, particularly the contract rent, are accurate and will be indicative of the subject's contract income upon completion of construction. Further, it is specifically *assumed*, based on observed pre-leasing activity, the cancer and imaging center will be 100% leased upon the completion of construction. Any significant deviation from these assumptions may impact our conclusion of market value for the leased fee interest in the subject's cancer and imaging center. It is noted we were also provided several executed leases; our reading of the leases confirmed the accuracy of the leasing summary as of the date of value.
3. The land areas referenced herein, which total 46.42± acres, are extracted from the project site plan provided to the appraisers. The total land area is somewhat larger than that according to the Kern County Assessor's parcel map (44.87± acres), but is relied upon for purposes of this analysis.

### **Hypothetical Conditions**

1. The estimate of value provided herein is subject to a hypothetical condition. The estimate of value presumes all public facilities (Morning Drive extension, sewer, storm drain, and water), to be financed by the California Statewide Communities Development Authority SCIP Community Facilities District Bonds, are in place and available for use. In addition, the estimate of value assumes the proposed cancer and imaging center improvements have been completed.

## GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. No responsibility is assumed for matters of law or legal interpretation.
3. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
4. The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.
5. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
6. It is assumed the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
7. It is assumed the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
8. It is assumed all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
9. It is assumed the use of the land and improvements is confined within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the report.
10. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.
11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by

the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.

12. The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.
13. Possession of this report or a copy thereof does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers • Jordan • Ziegenmeyer.
14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers • Jordan • Ziegenmeyer. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this document to aid in bond underwriting and in the issuance of bonds.
15. Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.
16. An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.
17. This appraisal report is prepared for the exclusive use of the appraiser's client. No third parties are authorized to rely upon this report without the express consent of the appraiser. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this document to aid in bond underwriting and in the issuance of bonds.



## 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 performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- Sara A. Gilbertson, Appraiser, provided significant real property appraisal assistance to the person signing this certification.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Appendix to this report for additional information.
- As of the date of this report, I have completed the Standards and Ethics Education Requirement of the Appraisal Institute.



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Eric A. Segal, Appraiser  
State Certification No.: AG026558 (February 18, 2017)

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July 23, 2015  
DATE

## 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 performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
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- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made an inspection of the property that is the subject of this report.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Appendix to this report for additional information.
- As of the date of this report, I have completed the Standards and Ethics Education Requirement of the Appraisal Institute.



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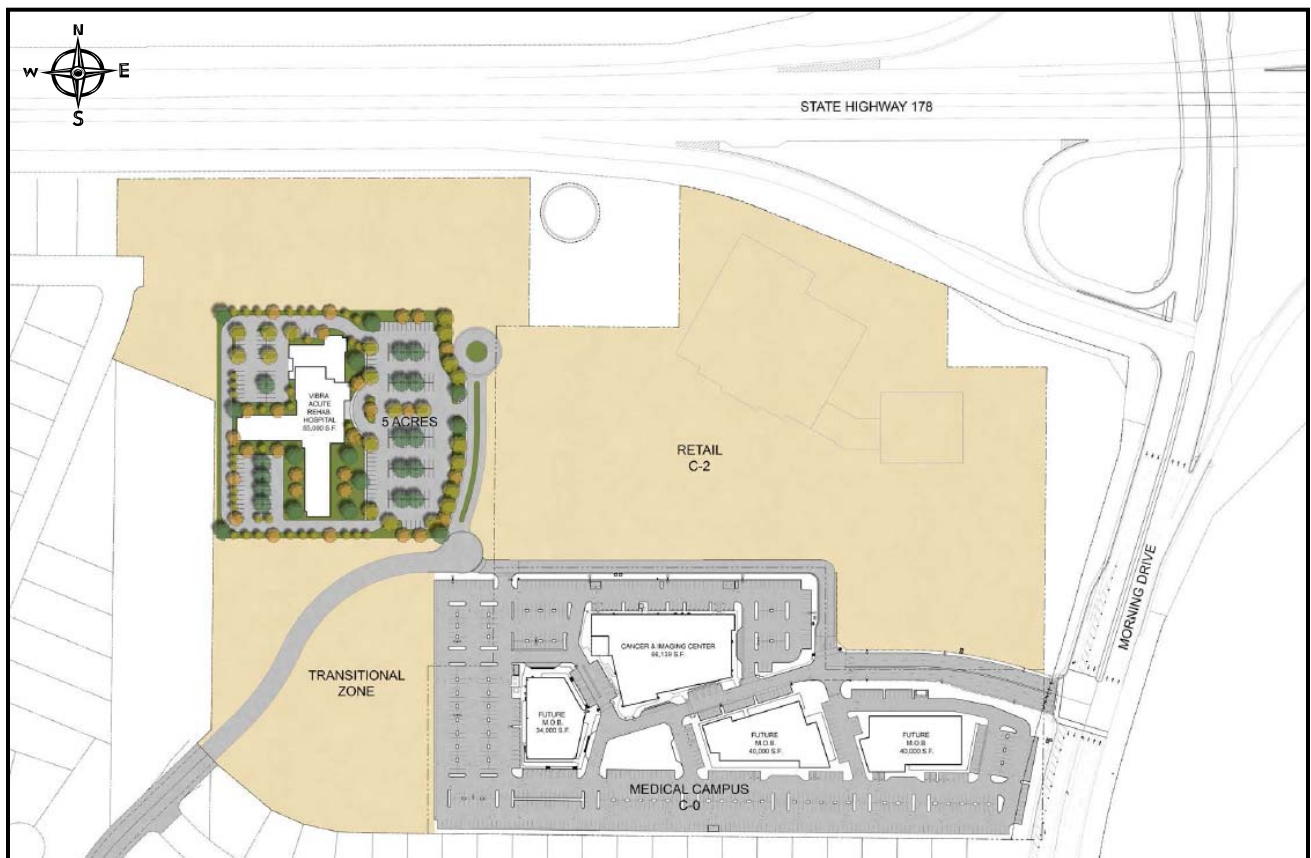
Sara A. Gilbertson, Appraiser  
State Certification No.: 3002204 (May 29, 2016)

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July 23, 2015  
DATE

## PROPERTY HISTORY AND OCCUPANCY

The subject property encompasses seven Kern County Assessor's parcels zoned for office, regional commercial and residential development. The portion zoned for office comprises four parcels (434-010-70 through -73), of which one parcel (434-010-73) was under construction as of the date of inspection. Upon completion, this parcel will consist of a two-story, multi-tenant cancer and imaging center totaling 66,139± square feet of rentable area on 4.48± acres. The remaining three office parcels range in size from 2.65 and 3.11 acres and are planned for future medical office buildings. The portion zoned for regional commercial use comprises 16.07± acres, while the residential (transitional) land encompasses 17.13± acres and is currently zoned for multifamily residential development. The majority of the property is undeveloped with some site work completed. The overall site plan for the subject property is shown below.



As previously mentioned, a portion of the subject property is currently under construction. This project is the first of a four-phase privately-funded medical campus in northeast Bakersfield, known as the Rio Bravo Cancer and Imaging Center, which will provide the Bakersfield community a local world-class comprehensive cancer treatment facility to include patient support and clinical research trials. Specialized fixtures will include a concrete linear accelerator vault in the radiation oncology center and two rooms for MRI and CT scans in the imaging center.

A separate 35,000 square foot medical office building is planned and will house an ambulatory surgery, a pharmacy, an urgent care center and medical offices, as well as two additional 40,000 square foot medical office buildings planned for the remaining three parcels zoned for office use. For several years the Rio Bravo Investment Group, LLC, a group of local physicians, has been working with G.L. Bruno Associates, Inc. to develop this project. Several leases have been negotiated for the 66,139± square foot cancer and imaging center. Currently, 62,556± square feet has been preleased (95%), with the remaining 3,583± square feet (general medical office space) is anticipated to be leased prior to the completion of construction. More details regarding the existing lease agreements are provided in the *Income Capitalization Approach* section in the valuation of the subject's improved medical office component.

Details for the balance of the subject site are still being finalized. The 16.07± acre retail component is described as being best suited for a neighborhood shopping center, defined as an eight to ten acre shopping center designed to meet the needs of the residences in the immediate one- to three-mile radius that offers a grocery store, a drug store and other neighborhood conveniences. According to Ms. Elizabeth Rojo, Vice President of Operation for G.L. Bruno (the developer), site leveling activities have begun in order to prepare this site for marketing. It is anticipated this site will sell to a retail developer following the completion of the State Highway 178 Morning Drive interchange project (discussed in further detail in the *Neighborhood* section) and the completion of the cancer and imaging center. A broker has not yet been engaged in the marketing of this piece, as a pad ready site with immediate access to the highway is preferred before going to the market.

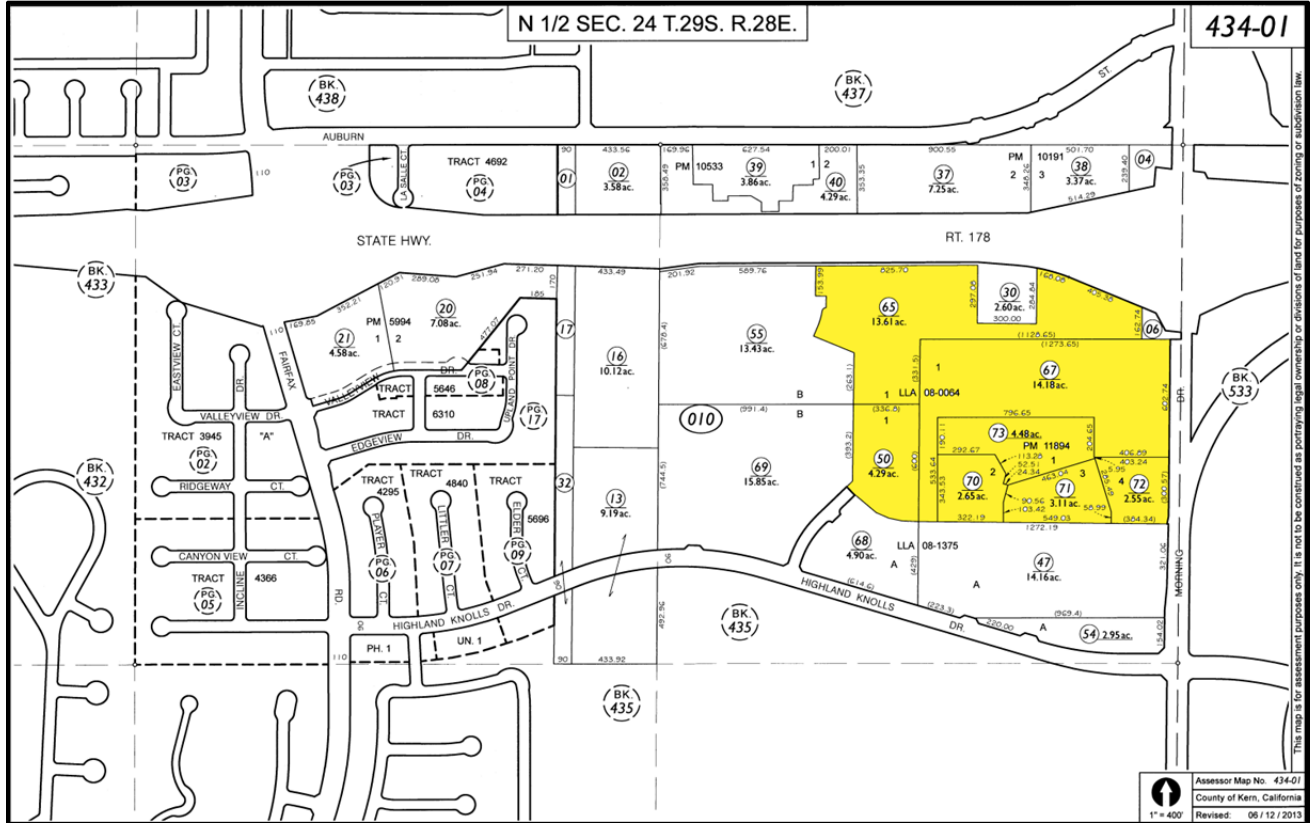
As for the 17.13± acre residential (transitional) land site, this area was initially planned for independent and assisted living facilities to be operated by a national company. In fact, during previous meetings Ms. Rojo indicated they were approached by a national provider of skilling nursing services with a request for sale of approximately five acres within the site with multifamily designation. While details of these negotiations remained confidential, a raw land purchase price between \$9.00 and \$11.00 per square foot of gross land area was disclosed. However, as of the more current date of inspection (July 15, 2015), the owner/developer is in negotiations with Vibra Development, LLC to construct an acute care rehabilitation hospital. A draft letter of internet dated July 1, 2015, was provided for use herein, which describes this project to consist of a 55,000± square foot, 50-bed facility on about five acres. The proposed leases is as a build-to-suit, with a 20 year term with a lease rate of \$3,120,000 per year (or \$260,000 per month). Preliminary cost estimates provided indicate such a facility would cost 39,606,211 (\$720.11 per square foot) to complete.

In order to proceed with the construction of the acute care rehabilitation hospital, the five-acre site would require a rezoning. In addition, the owner intends on rezoning the balance of this land for office use and develop it with additional medical office and ancillary medical uses.

The property has not transferred in the last three years from the date of value, and, to the best of our knowledge, the property is not currently being marketed for sale (unless otherwise discussed above).

# PROPERTY LEGAL DATA

## Assessor's Parcel Map



## Assessor's Parcel Number

The subject property is identified by Kern County Assessor's parcel numbers 434-010-50, -65, -67, and -70 through -73.

## Location

The subject property is located at the southwest quadrant of State Highway 178 and Morning Drive, within the city of Bakersfield, Kern County, California.

## Street Address

APNs 434-010-50, -65, and -67 share the street address 4610 Morning Drive, Bakersfield, California 93306; while APNs 434-010-70 through -73 have not yet been assigned a street address.

## Owner of Record

Title to the subject property is vested with Rio Bravo Medical Campus, LLC.

## **Legal Description**

A legal description of the subject property is contained in the preliminary title report, a copy of which is located in the Appendix to this report.

## **Conditions of Title**

A preliminary title report, prepared by Chicago Title and dated February 19, 2014, was provided for use in this appraisal and is included in the Appendix to the report. While the appraiser has reviewed the conditions of title and has determined no adverse impact on value, the appraiser assumes no negative title restrictions have been recorded since the date of the preliminary title report. The appraiser accepts no responsibility for matters pertaining to title.

## **Property Taxes and Assessments**

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

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

Property tax information for the subject property is summarized in the table on the following page for the previous tax year (current tax year information not yet available).

Description	APN:	434-010-50	434-010-65	434-010-67	434-010-70
<b>Assessed Value</b>					
Land	\$	242,094	\$ 1,071,844	\$ 1,674,568	\$ 346,000
Improvements		--	--	--	--
Fixtures		--	--	--	--
Personal Property		--	--	--	--
<i>Total Assessed Value</i>	\$	242,094	\$ 1,071,844	\$ 1,674,568	\$ 346,000
Tax Rate Area		001-080	001-189	001-235	001-235
<b>Tax Rate</b>		1.1176%	1.1176%	1.1176%	1.1176%
Taxes on Assessed Value	\$	2,705.63	\$ 11,978.87	\$ 18,714.88	\$ 3,866.87
<b>Direct Charges</b>					
KMVCD Vector Assesment		--	\$ 2.00	\$ 2.00	\$ 2.00
BK CS MD		--	--	--	\$ 594.54
<i>Total Direct Charges</i>	\$	-	\$ 2.00	\$ 2.00	\$ 596.54
<b>Total Property Taxes</b>	\$	<b>2,705.63</b>	\$ <b>11,980.87</b>	\$ <b>18,716.88</b>	\$ <b>4,463.41</b>
Description	APN:	434-010-071	434-010-072	434-010-073	
<b>Assessed Value</b>					
Land	\$	407,000	\$ 333,000	\$ 585,000	
Improvements		--	--	--	
Fixtures		--	--	--	
Personal Property		--	--	--	
<i>Total Assessed Value</i>	\$	407,000	\$ 333,000	\$ 585,000	
Tax Rate Area		001-235	001-235	001-235	
<b>Tax Rate</b>		1.1176%	1.1176%	1.1176%	
Taxes on Assessed Value	\$	4,548.61	\$ 3,721.59	\$ 6,537.93	
<b>Direct Charges</b>					
KMVCD Vector Assesment	\$	2.00	\$ 2.00	\$ 2.00	
BK CS MD	\$	697.71	\$ 572.11	\$ 1,004.97	
<i>Total Direct Charges</i>	\$	699.71	\$ 574.11	\$ 1,006.97	
<b>Total Property Taxes</b>	\$	<b>5,248.32</b>	\$ <b>4,295.70</b>	\$ <b>7,544.90</b>	

According to the Kern County Tax Collector's Office, the subject property is located in Tax Rate Areas 001-080, 001-189 and 001-235, all of which have a tax rate of 1.1176% based on total assessed value. Additionally, the subject is encumbered by several direct charges, all of which are annual charges that are in perpetuity (cannot be paid off). Public records indicate the owners are current on all property taxes.

As previously discussed, the appraised property is participating in the California Statewide Communities Development Authority SCIP Community Facilities District, which will be subject to a special tax beginning in year 2016 (following one year of capitalized interest). The impact of the lien of the special tax will be considered in the valuation of the underlying land.



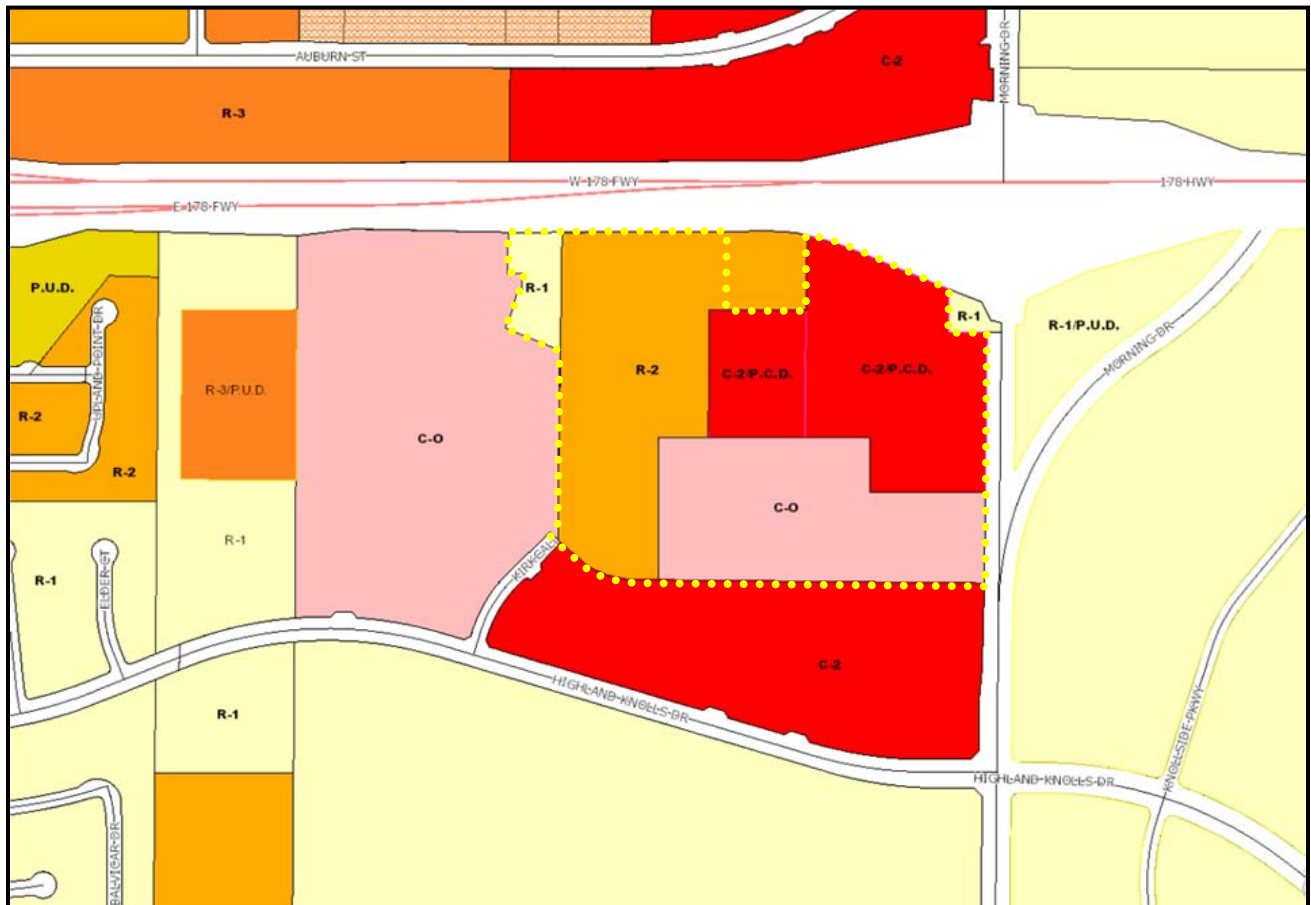
## Zoning

Source:

City of Bakersfield Planning Department

Zoning Description:

The subject property is zoned for professional and administrative office (C-O), regional commercial within a planned commercial development (C-2/PCD), and one-family and limited multifamily development (R-1 and R-2). A portion of the City of Bakersfield Zoning Map encompassing the subject property has been reproduced below.



According to the City of Bakersfield Municipal Code, the zoning designations encompassing the subject property are described as follows:

### **C-O – Professional and Administrative Office Zone**

The purpose of the C-O zone is to designate areas suitable for business and professional office development. The C-O zone may also serve as a buffer between regional commercial and residential areas. Permitted uses within this zone include a wide range of office (professional and medical) and service commercial uses.



### **C-2/PCD – Regional Commercial Zone/Planned Commercial Development Zone**

The purpose of the C-2 zone is to permit development of concentrated large-scale retail operations providing a broad range of goods and services which serve the metropolitan market area. The planned commercial development zone is intended to allow for innovative design and diversification in the relationship of various uses, buildings, structures, lot sizes and open spaces which ensuring compliance with the general plan and the intent of the municipal code. This zone is not to be used to restrict commercial development or to compromise other zoning districts that may be more appropriate for a site.

### **R-1 and R-2 – One-Family and Limited Multiple-Family Dwelling Zones**

These zoning designations provide for single-family to low density multifamily residential development.

#### **Conclusion:**

The proposed improvements appear to be a legal, conforming use and the land uses are consistent with the General Plan designations. It is our understanding the City is receptive to rezoning the residential (transitional) land.

### **Flood Zone**

According to the Federal Emergency Management Agency (FEMA) National Flood Insurance Program, Flood Insurance Rate Map (FIRM) the subject property is located in Community Panel 060077-1845E, dated September 26, 2008. The property is situated in Flood Zone X, described as areas of 500-year flood; areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 100-year flood.

### **Earthquake Zone**

According to the Seismic Safety Commission, the subject site is located within Zone 4, which is considered to be the highest risk zone in California. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the subject is located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology. In general, a number of faults are located in the Southern California and throughout California; thus, the area is subject to severe ground shaking during earthquakes. Competitive sites face similar seismic risk.

## **Easements**

An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions that currently impact the subject property. According to the preliminary title report provided for this appraisal (see Appendix), the subject contains easements for roadways, public utilities and ingress/egress. However, these easements are typical for the area and are not considered to adversely affect the value or marketability of the subject property. The appraiser is not a surveyor nor qualified to determine the exact location of any easements. It is assumed any easements do not have an impact on the opinion(s) of value set forth in this report. If, at some future date, any easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion(s) of value contained herein.

## SITE DESCRIPTION



Source: Google Maps, boundaries are approximate

**Assessor's Parcel Numbers:** 434-010-50, -65, -67, and -70 through -73

<b>Land Area:</b>	
Medical Office Component	13.22± acres
Retail Component	16.07± acres
Transitional Land Component	<u>17.13± acres</u>
Total	46.42± acres

The land areas above are from the project site plan provided to the appraisers. The total land area is somewhat larger than that according to the Kern County Assessor's parcel map (44.87± acres).

**Topography:** The topography of the subject property is rolling.

**Shape:** Irregular

**Soils:** The appraiser has not been provided a soils report to determine the load bearing capacity of the subject

property. Based on the existence of structures on parcels north and west of the subject, as well as the building currently under construction, it appears the subject property possess adequate load-bearing capacity for development.

**Drainage:**

It is assumed the subject property has adequate drainage or typical grading and paving work will be completed during development to provide adequate drainage.

**Utilities:**

Public utilities, including electricity, natural gas, water, sewer and telephone service, are available to the subject property.

**Environmental Issues:**

At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on the property. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the property. The value estimate is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field if desired.

**Frontage/Access/Visibility:**

<b>Off-Site Characteristics</b>	<b>Morning Drive*</b>	<b>State Hwy. 178</b>
Paving	Asphalt	Asphalt
Curbs	Yes	None
Gutters	Yes	Yes
Sidewalks	Yes	None
Lanes	2	4
Direction of Traffic	North/South	East/West
Condition	Average	Average
Traffic Levels	Average	Average
Access/Curb Cuts	Average	None
Visibility	Average	Average

\* At the time of inspection, the subject property ownership's responsibly for their share of the Morning Drive improvements had been completed. It is anticipated the completion of Morning Drive improvements, as well as the interchange, will be completed and available for use in late-August 2015.

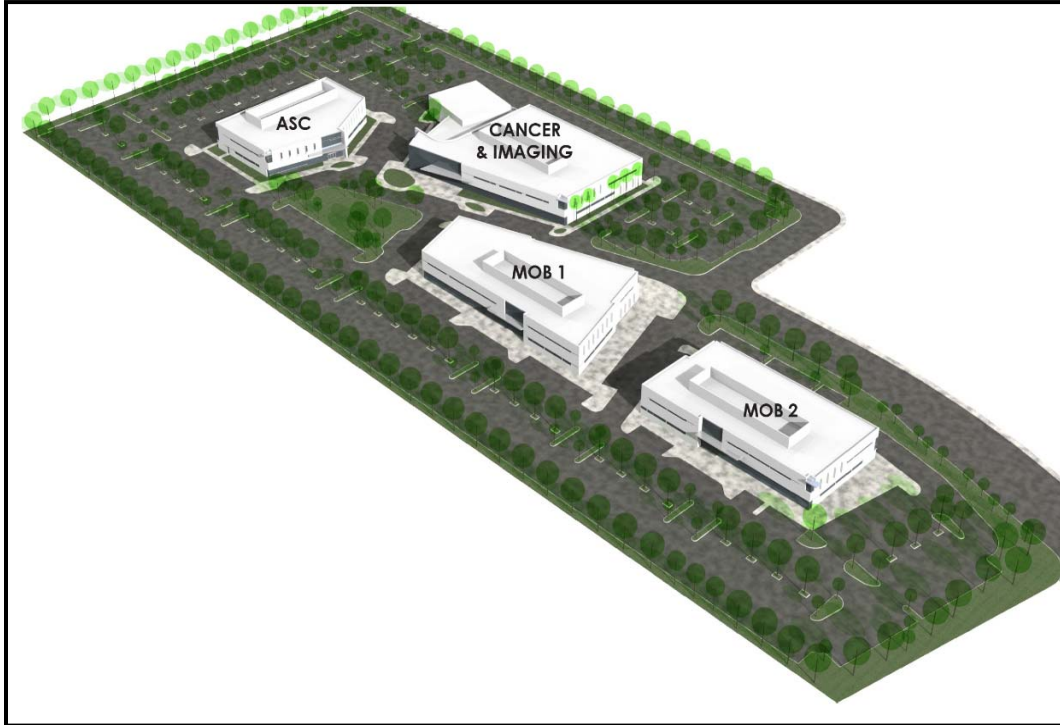
**Adjacent Uses:**

North	State Highway 178, as well as a religious facility and residential (single- and multifamily) development
South	Vacant land; further south is a school, mobile home park and single-family residential development
East	Vacant land; further east is a school and limited single-family residential development
West	Vacant land and residential development (single- and multifamily), as well as Bakersfield County Club

**Conclusion:**

Overall, the subject property is functional in terms of size, topography, shape and overall location within Bakersfield. There appear to be no unusual or restrictive physical limitations to the property.

## PROPOSED IMPROVEMENT DESCRIPTION



Source: HGA Architects and Engineers

The information provided on the following pages is a basic description of the proposed cancer and imaging center improvements. This information was provided by the property owner and is deemed reliable for the analysis herein. Additionally, it is assumed the improvements will be constructed in a workmanlike manner and exhibit no construction defects upon completion. If the actual construction is of inferior condition or quality than proposed, the market value would likely be lower, and vice versa.

### **Structural/Exterior/Mechanical**

Foundation:	Reinforced concrete
Structure:	Steel and masonry
Exterior Walls:	Natural stone and tile
Roof:	Single ply system that meets the needs of new Title 24 energy requirements
Doors and Windows:	The automatic doors and windows will have metal frames with either tinted or clear glass.
Electrical:	The building has a master meter, although some tenants are metered directly. The building will also have one 125KW emergency generator.

Rentable Building Area:	66,139± square feet
Number of Stories:	Two
Elevators/Stairwells:	The building will have two elevators and three stairwells.

**Interior**

Floors:	Commercial grade carpet and ceramic tile in common areas, vinyl flooring in treatment areas
Walls:	Textured and painted drywall
Ceilings:	Acoustical panels in T-bar grids and finished ceilings
Lighting:	LED light fixtures throughout
Plumbing:	Standard plumbing for medical office use
Fire Protection:	Full fire sprinklers (wet system)
HVAC:	The building will be heated and cooled via a central HVAC system.

Other/Specialized Improvements:

Tenant Improvements/Allowance	The building will feature highly specialized improvements and will have atypical medical finishes that vary by each tenant. The developer will provide each space in shell condition with a tenant improvement allowance ranging between \$50 and \$270 per square foot of useable area.
Surgery Center	The surgery center will be designed for two operating rooms, one minor procedure room and five post-operation rooms.
Radiation Oncology Center	The radiation oncology center will have a concrete linear accelerator vault that will have 650 cubic yards of concrete. The concrete within the vault provides radiation shielding directly and indirectly. According to the developer, direct shielding is known as the primary beam path. The concrete vault in this area will be 7'6" thick for both walls and ceilings. The indirect shielding is known as the secondary beam path and the concrete in this area will be 4' thick. The concrete vault will also have a 7,500 pound steel door that provides shielding during treatment. The linear

accelerator requires a dedicated chiller that will be installed on the roof.

### Imaging Center

The imaging center will consist of two rooms for MRI and CT. The MRI shielding consists of a copper shielding room and is designed to keep interference out of the room. Shielding is full enclosure; floors, walls and ceiling will be appointed copper shielding. The CT room will consist of lead shielding of the walls and this will prevent radiation leakage to the surrounding areas.

### Site Improvements

Parking: According to the site plan, the subject will include 324 onsite parking spaces which equates to a 5.0 parking spaces for every 1,000 square feet of net rentable area.

Landscaping: Landscaping will consist of a typical quantity and quality of shrubs and trees throughout the property.

Floor Area Ratio: 0.339 (based upon the proposed total rentable area of the building in relation to the land area)

### Age/Condition

Chronological Age: Proposed

Effective Age: New (upon completion of construction)

Total Economic Life: 50± years, assuming an average level of maintenance will be applied to the subject property as part of prudent and competent ownership.

Functional Obsolescence: None determined

Deferred Maintenance: None

Condition: Excellent (new)

Quality: Excellent

### Conclusion

Overall, the proposed cancer and imaging center improvements are functional in terms of its size, interior layout and property features. The subject is located adjacent to (just south of) State Highway 178, which will have good access upon completion of the Morning Drive interchange later this summer (late-August 2015). Further, the subject is considered to represent the upper end of the market range with

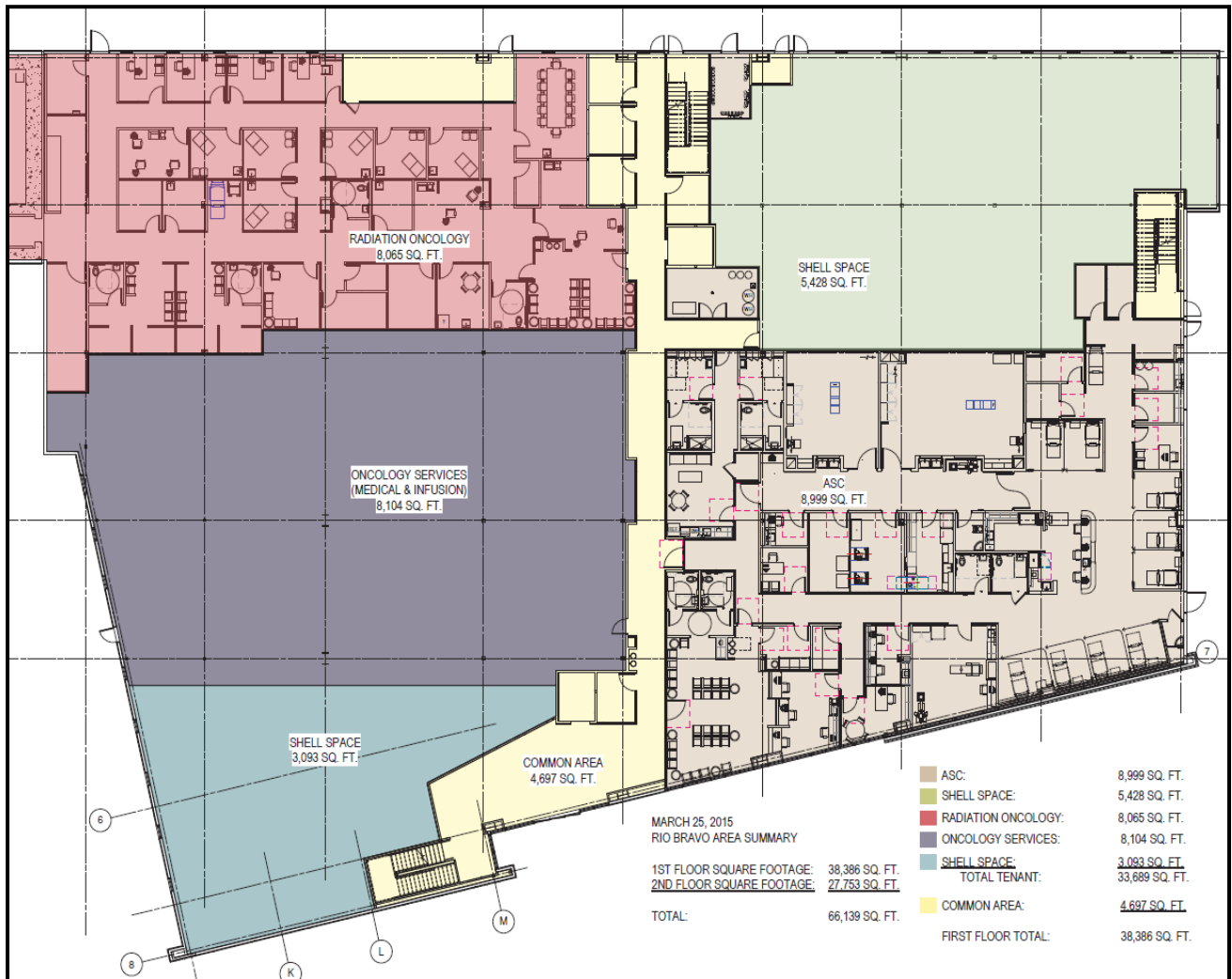


respect to quality, age and condition, and will be competitive with other medical office properties in the market area. More importantly, the cancer and imaging center improvements offer specialized facilities and equipment unlike most medical office properties in the region, which bodes well for the subject property.

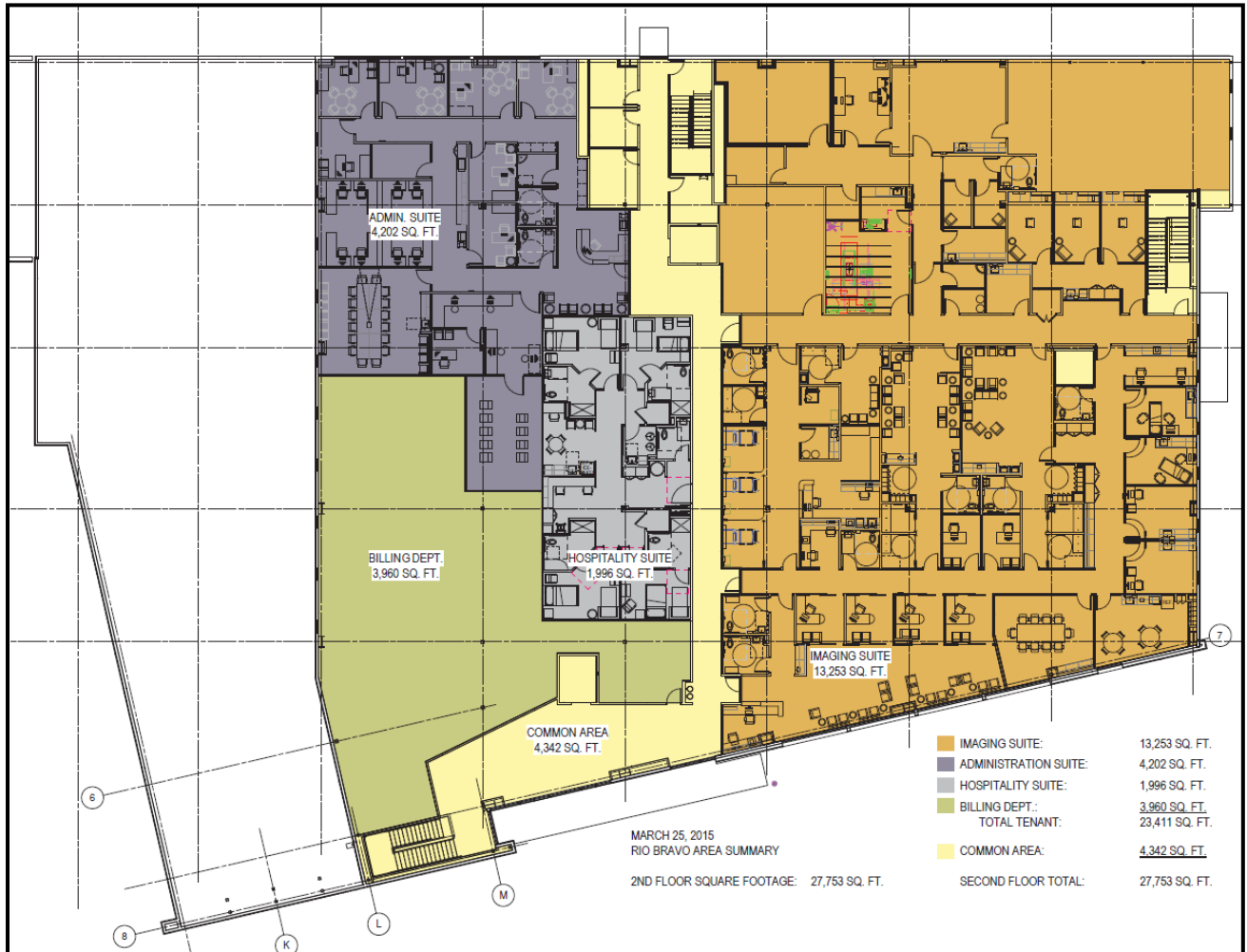
**Floor Plans/Exterior Elevations:**

Floor plans and exterior elevations prepared by HGA Architects and Engineers were provided by the developer and are presented below and on the following pages.

**FIRST FLOOR**



## SECOND FLOOR



**EXTERIOR ELEVATION**



**SUBJECT PHOTOGRAPHS**



South side of the cancer and imaging center



Looking east across the subject property



Looking west across the subject property



West side of the cancer and imaging center



Parking on the west side of the cancer and imaging center



Looking east across the retail land





Looking northwest across the transitional land



Looking north along Morning Drive



Looking northwest across the transitional land

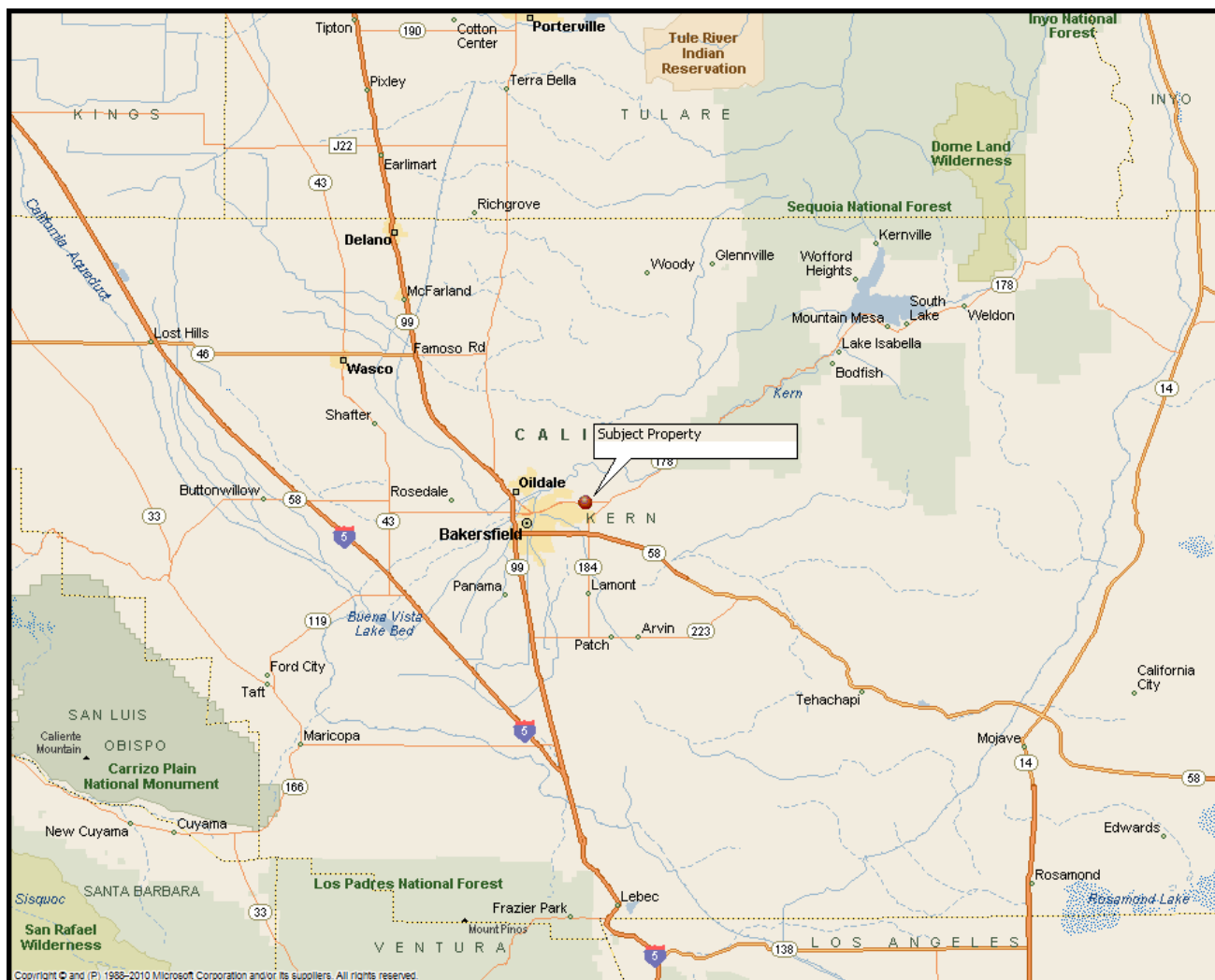


Highland Knolls Drive, south of transitional land



Morning Drive interchange

## KERN COUNTY



### **Introduction**

Kern County was created from parts of Los Angeles and Tulare counties in 1866. Kern County is California's third-largest county in land area, covering more than 8,000 square miles. About one-third of the county is situated on the flat valley floor at the extreme southern end of the great San Joaquin Valley. On the west is the Temblor Range; the Tehachapi Mountains lie to the south; and to the east are the Sierra Nevada Mountains. East of this belt of mountains is an expanse of high desert which covers nearly another third of the county area.

Kern County has sometimes been referred to as "The Golden Empire," because of its rich history of gold, oil and agricultural production. Located at the southern end of California's Central Valley, Kern County consistently ranks among the top five most-productive agricultural counties in the United States and is one of the nation's leading petroleum-producing counties. Because of its unique

geographical positioning, Kern has also become the distribution center for some of the world's largest companies. The county is host to a major freeway system, providing access to California's central coast, Arizona, Nevada and Utah. Bakersfield is the county seat and largest city.

## Population

The population of Kern County is over 870,000 and has shown moderate growth over the past five years, with an average growth rate of 1.2% per year. Bakersfield is by far the largest city in the county, with an estimated population of over 367,000. The following table illustrates population trends for areas within Kern County over the past several years.

POPULATION TRENDS							
City	2009	2010	2011	2012	2013	2014	%/Yr
Arvin	18,800	19,345	19,503	19,849	20,037	20,226	1.5%
Bakersfield	340,997	347,029	350,020	354,471	360,633	367,315	1.5%
California City	14,096	14,166	12,787	13,259	13,197	13,276	-1.2%
Delano	52,801	53,128	53,108	52,003	52,134	52,591	-0.1%
Maricopa	1,148	1,157	1,156	1,163	1,169	1,180	0.6%
Mcfarland	12,562	12,783	12,697	12,333	12,624	13,745	1.9%
Ridgecrest	27,302	27,540	27,835	28,089	28,461	28,638	1.0%
Shafter	16,461	16,939	17,206	16,927	17,096	17,461	1.2%
Taft	9,145	9,308	9,284	8,905	8,936	8,942	-0.4%
Tehachapi	14,150	14,503	14,432	13,871	13,348	13,346	-1.1%
Wasco	25,442	25,567	25,893	25,324	25,793	26,159	0.6%
Unincorporated	<u>292,599</u>	<u>295,609</u>	<u>300,559</u>	<u>303,788</u>	<u>307,736</u>	<u>310,213</u>	<u>1.2%</u>
<b>Total</b>	<b>825,503</b>	<b>837,074</b>	<b>844,480</b>	<b>849,982</b>	<b>861,164</b>	<b>873,092</b>	<b>1.2%</b>

Source: California Department of Finance

## Transportation

Kern County's highway and road system provides transportation connectivity over more than an 8,000 square mile region. The existing network consists of approximately 6,700 miles of public roads. Interstate 5 is the major north/south route from California to Canada, connecting the county with Southern California to the south and Northern California to the north. State Highway 58 is a major east/west route that connects with I-40 and I-15 in Barstow and intersects with U.S. Highway 395 in Mojave. State Highway 46 is an east/west route from Kern County to California's coast line, and intersects with Highway 99 in Wasco. Finally, State Highway 99 is another north/south highway in the region.

The regional airport system in Kern County is comprised of seven airports operated by the Kern County Department of Airports, four municipally owned airports, three airport districts, three privately owned public use airports, and two major military facilities. Kern County airports include

Meadows Field, Elk Hills/Buttonwillow, Kern Valley in the Lake Isabella area, Lost Hills, Poso adjacent to Routes 65 and 46, Wasco, and Taft. Municipal airports include Bakersfield, California City, Delano and Tehachapi.

Public transit is available in 16 Kern County communities. The County of Kern operates Kern Regional Transit that includes service to the unincorporated areas of Buttonwillow, Lamont, Kern River Valley, Frazier Park, Rosamond and Mojave. In addition, the County has agreements with several small cities to share the cost of providing transit service to County areas surrounding incorporated areas. These cities include Delano, Ridgecrest, Shafter, Taft, Tehachapi and Wasco.

Golden Empire Transit District has provided public transit service for the Bakersfield area since 1973. Today, GET operates 14 fixed routes and the Get-A-Lift program to 133 square miles and serves approximately 350,000 residents. Get-A-Lift provides paratransit service in metro Bakersfield for those who are physically unable to use the fixed route service. Elderly and disabled service is also provided by the Consolidated Transportation Service Agency (CTSA).

The Amtrak San Joaquin rail line has its southern terminus in Bakersfield. Bus connections transport passengers to the Los Angeles area from Bakersfield. Currently, the San Joaquin runs four times daily. Common carriers serving Kern County include Greyhound, Orange Belt Stages, Airport Bus of Bakersfield, and Amtrak. These operations have terminals in central Bakersfield.

Kern County is central to the rail and highway transportation network in California and the west coast. Major highways, rail lines, pipelines and air corridors criss-cross the County in all directions. Two major railroads, Union Pacific and Burlington Northern Santa Fe, operate mainline operations within the County. San Joaquin Valley Railroad operates a number of short-line operations.

## Employment & Economy

The California Employment Development Department has reported the following employment data for Kern County over the past several years.

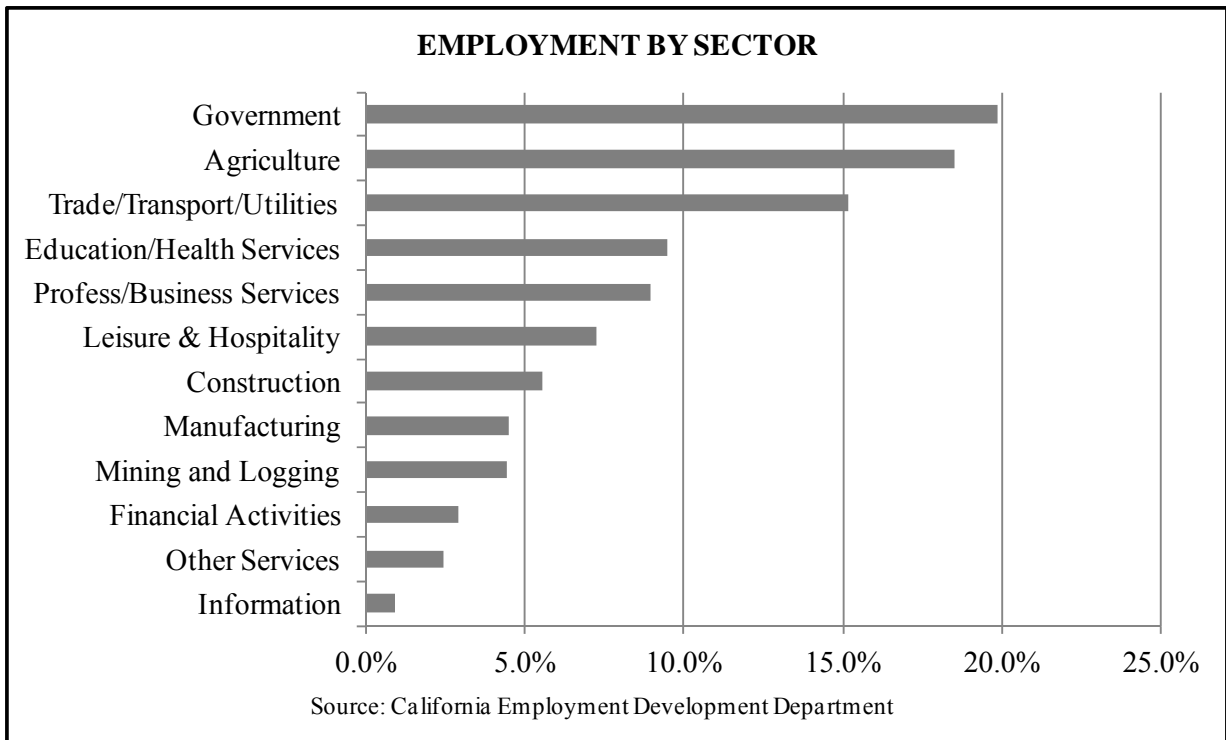
<b>EMPLOYMENT TRENDS</b>						
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Labor Force	362,700	371,800	382,900	393,100	394,200	390,800
Employment	311,700	313,700	326,300	341,400	348,000	353,600
Job Growth	(12,100)	2,000	12,600	15,100	6,600	5,600
Unemployment Rate	14.1%	15.6%	14.8%	13.2%	11.7%	9.5%
Source: California Employment Development Department						

The unemployment rate in Kern County was 10.0% in May 2015, which compares to rates of 6.4%



for California and 5.5% for the U.S. Most areas within the state and nation, including Kern County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, and declines during 2011-2014. Agricultural-oriented counties like Kern tend to have greater seasonal variations in employment and higher unemployment during the winter months.

Kern County has a diverse economy, with no one sector accounting for a majority of the employment in the region. The following chart indicates the percentage of total employment for each sector within the county.



As can be seen in the chart above, the area’s largest employment sectors are Government; Agriculture; and Trade/Transportation/ Utilities (which includes retail and wholesale trade). Kern County is the leading oil-producing county in the continental U.S. and the fourth most productive agricultural county in the nation. The county’s state-of-the-art agricultural industry produces more than 250 different crops. Kern County’s main crops are grapes, citrus fruit, milk, cotton and almonds.

The following table lists the largest employers in the county.

## LARGEST EMPLOYERS

Employer	Employees
China Lake Naval Air Weapons Station	10,000+
County of Kern	9,128
Grimmway Farms	5,000 – 9,999
Naval Air Warfare Center	5,000 – 9,999
US Navy Public Affairs Office	5,000 – 9,999
Chevron	1,000 – 4,999
Kern County Schools	1,000 – 4,999
State Farm	1,000 – 4,999
Dignity Health	1,000 – 4,999
Edwards Air Force Base	1,000 – 4,999

Source: Kern County, Comprehensive Annual Financial Report, June 30, 2014

### Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. In the year 2013 (most recent data available from the U.S. Census Bureau), Kern County’s median household income was \$46,688, which was much lower than the state of California’s median income of \$60,185.

### Recreation & Community Facilities

Kern County offers a variety of recreational opportunities and community facilities. Bakersfield enjoys a wide variety of entertainment at the Centennial Garden Arena and Convention Center, and the city’s many theaters, museums, and art galleries. The Bakersfield area offers two lakes, about a dozen golf courses and over 50 public parks. The Kern River, which flows through the Bakersfield area, offers white water, kayaking and other water thrills. The community has its own minor league baseball team (The Bakersfield Blaze), an ice hockey team (The Bakersfield Condors), an arena football team (The Bakersfield Blitz), and a soccer facility that hosts local, regional and state tournaments.

Major hospitals in the county include Mercy Hospital, San Joaquin Community Hospital, Kern Medical Center, Bakersfield Memorial Hospital and Mercy Southwest Hospital. In addition, there is a Veterans Clinic, and many urgent care facilities, convalescent hospitals, physical rehabilitation centers, and a psychiatric hospital. Metropolitan Bakersfield is served by 15 elementary school districts and the Kern High School District, which administers 15 high schools. The Bakersfield area

has two continuation high schools, one community college, one state university, a University of California satellite, numerous vocational schools, and one adult school.

## **Conclusion**

Kern County is generally characterized as an agricultural region with one medium sized city (Bakersfield). The region's locational advantages include a temperate climate, central location within California, and relative affordability compared to Southern California and other parts of the state. Like most of the state and nation, the county experienced high unemployment and real estate market declines during the period of roughly 2008-2010. Employment conditions have shown some improvement in the region and most real estate sectors are showing signs of recovery or expansion; however, unemployment remains somewhat high and the economic recovery period will likely be gradual.

## NEIGHBORHOOD



### **Introduction**

This section of the report provides an analysis of the observable data that indicate patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as “a group of complementary land uses; a congruous grouping of inhabitants, buildings or business enterprises.”<sup>4</sup>

### **Bakersfield**

The city of Bakersfield is near the southern end of the San Joaquin Valley in Kern County, California. It is about 110 miles south of Fresno and north of Los Angeles. It is the ninth largest city in California and Kern County is the third largest county in the state. The city offers a very diverse economy with industries including agriculture, natural gas and other energy extraction, aerospace, mining, petroleum refining, manufacturing, distribution, food processing, and corporate/regional

<sup>4</sup> The Dictionary of Real Estate Appraisal, 5<sup>th</sup> ed. (Chicago: Appraisal Institute, 2010), 133.

headquarters. The area is experiencing substantial real estate growth given its geographic proximity to the Los Angeles basin and the other Southern California markets.

### **Neighborhood Boundaries**

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

The subject property is situated in the northeastern portion of the city of Bakersfield. The subject neighborhood is generally bounded by Kern River to the north, State Highway 58 to the south, State Highway 99 to the west and State Highway 184 to the east.

### **Demographics**

According to demographic reports prepared by Esri Business Analyst Online (Esri), formerly STDB Online, current and projected demographics within the subject's neighborhood are summarized in the following table.

Population (2015)	146,736 persons
Population (2020), % change	152,931 persons, +4.22%
Median Age	28.8 years
Number of Households	45,309
Average Household Size	3.19 persons
% of Households Owner-Occupied	45.0%
% of Households Renter Occupied	55.0%
Median Household Income	\$36,186

According to the California Employment Development Department, the city of Bakersfield has an unemployment rate of 8.9% as of May 2015 (latest available). The city's unemployment rate is slightly lower than Kern County's unemployment rate (10.0%), but higher than California's rate of 6.4% and the nation's of 5.5%.

As reported by CoreLogic (formerly DataQuick Information Services), the median resale home price in the city of Bakersfield, as of May 2015 (latest available) was \$225,000, which marks an increase of 9.8% from the same period last year.

## Transportation

The subject property is just south of State Highway 178 which is a main east-west thoroughfare connecting State Highway 99 and Downtown Bakersfield with East Bakersfield and Lake Isabella. There is a new interchange being constructed at Morning Drive and State Highway 178 which broke ground in September 2014. This project will include the widening of State Highway 178 from two lanes to four lanes between the Fairfax Road interchange and Canteria Drive, while auxiliary lanes will be added to both eastbound and westbound lanes of State Highway 178 between Fairfax Road and Morning Drive. Morning Drive will also be widened and realigned, and upon completion will include three lanes in the southbound direction between Panorama Drive and State Highway 178. In the northbound direction, Morning Drive will have three lanes between State Highway 178 and Morningstar Avenue and two lanes between Morningstar Avenue and Panorama Drive. Completion of this project is expected in late-August 2015.

The property is east of State Highway 99, the area's primary transportation corridor. State Highway 99 is a main north-south transportation route in California providing direct access to Interstate 5 to the south and Visalia, Fresno and Sacramento to the north. The subject is also near several primary transportation corridors, including California Avenue, Union Avenue and Rosedale Highway. The nearest airport is the Meadows Field Airport, located approximately ten miles north of the subject.

## Land Uses

Land uses in the subject's immediate area predominantly consist of vacant land and residential development with supporting commercial development. The following table summarizes some of the land use characteristics of the subject neighborhood.

Neighborhood Life Cycle Stage	Stability
Real Estate Cycle	Stabilization/Recovery
Land Uses	Vacant Land/Residential/Commercial
Predominate Land Use	Vacant Land/Residential
Age Range of R/E Improvements	5 - 30 years
General Quality & Condition of Improvements	Average
Percentage Developed (approximate)	40 to 50%
Infrastructure / Land Planning	Average

To the west of the subject is a substantial amount of single-family residential homes and supporting commercial development with little vacant/undeveloped land, but to the east, there is little development with few newer single-family subdivisions. Residential uses in Bakersfield are concentrated to the northern and southern portions of the city and are a mix of older residential developments ranging from 30-50 years of age to newer residential developments that have been constructed within the past five years.

A major land use in the central Bakersfield area is the Bakersfield Convention Center and Rabobank Arena, located northwest of the subject along Truxtun Avenue. The Convention Center was completed in 1962, and includes a 3,000-seat theater as well as open and configurable spaces for events. The Arena was completed in 1998 and has a maximum capacity of approximately 10,000. These two uses are located in the middle of downtown Bakersfield, which is home to numerous small and mid-sized office buildings, scattered commercial uses and older residences.

Approximately 12 miles west of the subject is Bakersfield's main suburban office location, known as the 'California Avenue Corridor.' Several Class A office buildings have been built in the area, mostly along California Avenue, Stockdale Highway, and Truxtun Avenue. These office buildings are in average to good condition, and are generally mid-rise structures between two and five stories. Vacancy rates have historically been stable in this area.

### **Community Uses**

In addition to the parks, schools and religious facilities located near the subject property, west of the subject property, along the south side of State Highway 178, between Fairfax Road and Oswell Street is the Bakersfield Country Club, which is an 18-hole private golf course with exercise rooms, club room, lounge, and four lighted tennis courts, as well as dining facilities and a banquet room. The primary college campus in the region is California State University Bakersfield, which is located 12 miles to the southwest of the subject property. There are also a number of hospitals within the Bakersfield area including Kern Medical Center (about four miles southwest of the subject property), San Joaquin Community Hospital (about six miles west), and Mercy Hospital (seven miles southwest). While there are three other facilities in Bakersfield that offer a linear accelerator, this subject is only one of four facilities in California that offer a cyclotron room.

### **Conclusion**

The subject neighborhood is considered to be at a transitional stage of development, comprised primarily of single-family residential development to the west and vacant land to the east. The subject benefits from good access to and from the neighborhood's main transportation routes. Overall, the long-term growth outlook for the area remains stable for residential and commercial properties.

## **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 that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value.<sup>5</sup>

Two analyses are typically required for highest and best use. The first analysis is highest and best use of the subject property as though vacant. The second analysis will determine the highest and best use of the property as improved. Definitions of these terms are provided in the *Glossary of Terms* in the Appendix to this report.

### **Highest and Best Use – As Vacant**

In accordance with the definition of highest and best use, it is appropriate to analyze the subject property as though vacant as it relates to legal permissibility, physical possibility, financial feasibility and maximum productivity.

#### ***Medical Office Component***

##### **Legal Permissibility**

The legal factors influencing the highest and best use of the subject property is primarily government regulations such as zoning and building codes. The subject’s four medical office sites are zoned C-O (Professional and Administrative Office Zone), which allows for a wide range of office (professional and medical) and service commercial uses. The subject has entitlements for a four building medical office campus, anchored by a cancer and imaging center. The immediate area surrounding the subject is transitioning to commercial and residential development. Overall, medical office use is legally permissible.

##### **Physical Possibility**

The physical characteristics of the subject including shape, size, topography, accessibility and availability of utilities were all given consideration. The subject’s physical orientation was also considered. At this point in the analysis the physical characteristics are examined to see if they are suited for the legally permissible uses.

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<sup>5</sup> The Dictionary of Real Estate Appraisal, 5<sup>th</sup> ed. (Chicago: Appraisal Institute, 2010), 93.



Based on our physical inspection of the subject property, we know of no reason why the medical office component would not support any legal development. The subject property is located within Flood Zone X, described as areas of 500-year flood; areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 100-year flood. The property is located within Earthquake Zone 4, which is assigned to areas near major faults. However, the location within this zone does not prevent development. Evidence of residential and commercial construction in the immediate area provides additional support for the possibility of development. Typical roadway and utility easements exist, but are not known to be unusual in any way. It is assumed any easements do not adversely affect the subjects' potential for development.

We did not observe the existence of hazardous material, which may or may not be present on the property, during the inspection. We have no knowledge of the existence of such materials on the property. However, we are not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the property. The value estimate herein is predicated on the assumption that there is no material on or in the property that would cause a loss of value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them.

In conclusion, it appears as if the legally permissible use of the subject property is physically possible.

### Financial Feasibility

The feasibility of development is dependent on the area supply and demand conditions. While a few brokerage firms publish market survey data in the Bakersfield market, these reports have not been updated recently. Therefore, in order to analyze office market conditions in the subject's market area, we have utilized CoStar Analytics for a survey of office properties that are similar to and competitive with the subject.

Our initial search encompassed all existing office properties (larger than 30,000 square feet in size) within the city of Bakersfield, which revealed 105 total properties containing 6,871,456 square feet of total rentable area. CoStar reported there is 474,702 square feet of vacant space among these properties in the second quarter of 2015, with an implied vacancy rate of 6.3%. We also surveyed all existing medical office properties in the city (21 properties), which, according to CoStar, exhibit a vacancy rate of 9.4%. In the following table we have compared vacancy, absorption and average asking rental rates for existing office and medical office properties in the city of Bakersfield.

Period	Office			Medical Office		
	Vacancy	Absorption	Asking Rent (FS)	Vacancy	Absorption	Asking Rent (FS)
2015 2Q	6.3%	(7,768)	\$1.52	9.4%	2	\$1.43
2015 1Q	6.1%	(70,475)	\$1.48	9.4%	(9,652)	\$1.43
2014 4Q	5.7%	128,338	\$1.56	8.1%	0	\$1.43
2014 3Q	6.8%	(52,131)	\$1.57	8.1%	(10,378)	\$1.55
2014 2Q	6.0%	(4,715)	\$1.53	7.0%	3,231	\$1.56
2014 1Q	5.9%	(4,976)	\$1.54	7.3%	(3,231)	\$1.59
2013 4Q	5.8%	(8,533)	\$1.53	7.0%	(21,137)	\$1.59
2013 3Q	5.7%	(5,065)	\$1.62	4.7%	(2,085)	\$1.62
2013 2Q	5.5%	(11,024)	\$1.62	4.5%	8,726	\$1.63
2013 1Q	5.4%	(57,452)	\$1.61	5.8%	(19,190)	\$1.63
2012 4Q	4.7%	(2,913)	\$1.61	3.7%	799	\$1.63
2012 3Q	4.6%	(7,165)	\$1.65	3.8%	21,136	\$1.77

Based on the figures provided by CoStar in the table above, the office development in Bakersfield has generally outperformed the medical office market in recent periods with respect to vacancy, net absorption and asking rental rates. While net absorption was predominately negative throughout the reported time period for office properties (resulting in the highest vacancy rate of 6.8% reported in the third quarter of 2014), a dramatically positive fourth quarter of 2014 brought vacancy down to 5.8%. Asking rental rates have fluctuated between \$1.48 to \$1.65 psf/month (full service) alongside the fluctuating vacancy rate, with an average of \$1.57 psf/month (full service) which is just slightly higher than the asking rate reported in the most recent quarter.

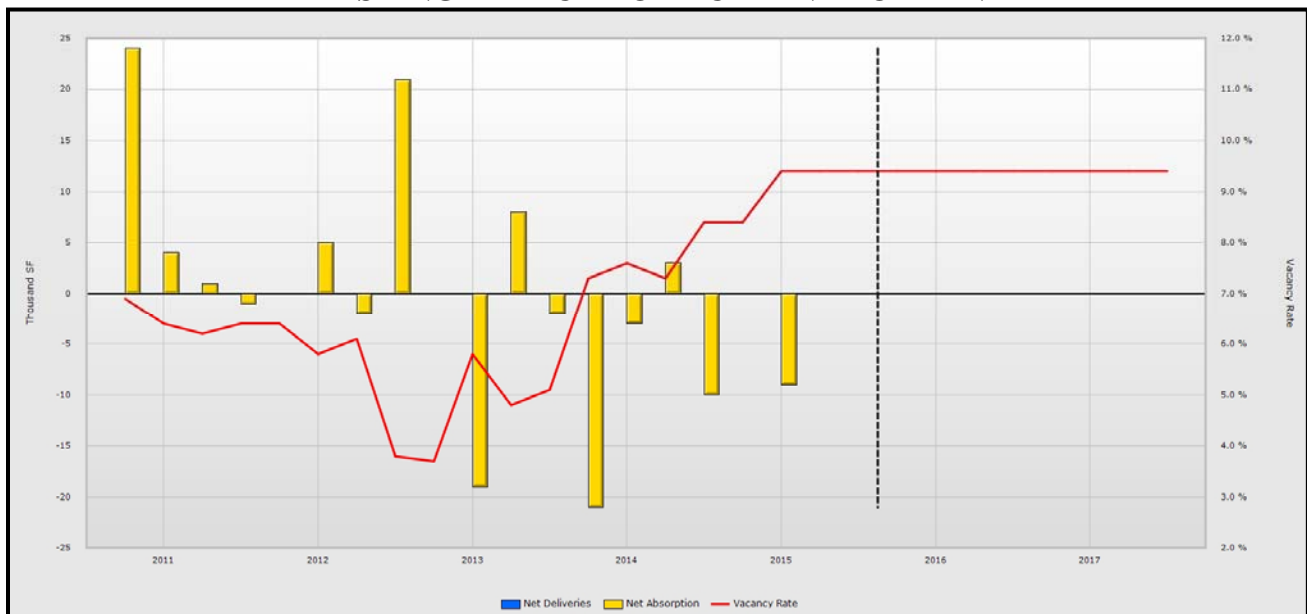
While the medical office market reported a vacancy rate about 3% higher than the office market, medical office vacancy in Bakersfield has been on a general upward trend since the fourth quarter of 2012 when a low of 3.7% was observed. Due to rising vacancy, medical office asking rates have trended down to a recent low of \$1.43 psf/month (full service) for the last three quarters, although it also has an average asking rate of \$1.57 psf/month (full service) for the reported time period, consistent with the general office market.

The graphs on the following page from CoStar Property show historical net deliveries, net absorption, and vacancy rates for the Bakersfield office and medical office markets, along with forecasts into 2017. The graphs suggest vacancy will stabilize in coming periods near 9.2% and 9.5%, respectively.

## EXISTING OFFICE DEVELOPMENT



## EXISTING MEDICAL OFFICE DEVELOPMENT



Although the local market area is still showing some volatile market conditions for medical office properties, according to the *2015 Medical Office Outlook Report* prepared by Colliers International, despite the uncertainty regarding the full impact of the Affordable Care Act, overall tenant demand for healthcare real estate continues to increase on a national level with medical office vacancy rates at their lowest levels since the recession and are continuing to decline. This is supported by the pre-leasing activity at the subject’s cancer and imaging center, which is expected to perform very well into the foreseeable future based on tenant interest in the project and the anticipation of being 100% leased upon completion of construction. Pre-lease rates are at levels high enough that construction is financially feasible, even given the costly specialized fixtures and improvements comprising the

cancer and imaging center. Further, tenant interest in the three other medical office sites just south of the cancer and imaging center has proven the high desirability of project.

Based upon current market supply and demand factors for office properties in the subject's market area, but primarily given the strong demand for the subject's proposed medical office project, it is our opinion the proposed multi-building medical office campus ultimately represents a financially feasible use of the subject property as though vacant.

#### Maximum Productivity – Conclusion

Legal, physical and financial feasibility conditions have been analyzed to evaluate the highest and best use of the subject property. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, medical office development is the maximally productive land use that is legally permissible, physically possible and financially feasible for the subject property. Considering the subject's specific characteristics, the highest and best use of the subject property – as vacant – is to construct the multi-building medical office campus in phases as demand warrants.

#### Probable Buyer

The most probable buyer of the subject property is an investor/developer looking to develop the property as a leased investment or build-to-suit.

#### ***Retail Component***

##### Legal Permissibility

The subject's retail component is zoned C-2/PCD (Regional Commercial Zone/Planned Commercial Development Zone), which permits development of concentrated large-scale retail operations providing a broad range of goods and services which serve the metropolitan market area. Overall, retail use is legally permissible.

##### Physical Possibility

With similar physical characteristics as the subject's medical office component, it appears as if the legally permissible use of the subject's retail component is physically possible.

##### Financial Feasibility

In order to analyze retail market conditions in the subject's market area, we have utilized CoStar Analytics for a survey of retail properties that are similar to and competitive with the subject.

Our search encompassed all existing multi-tenant retail properties within a five-mile radius of the subject property, which revealed 109 total properties containing 1,418,721 square feet of total rentable area. CoStar reported there is 165,651 square feet of vacant space among these properties in the second quarter of 2015, with an implied vacancy rate of 10.9%. The following table compares vacancy, absorption and average asking rental rates for existing multi-tenant retail properties in the subject's immediate area.

Period	Vacancy	Absorption	Asking Rent (NNN)
2015 2Q	10.9%	6,552	\$1.21
2015 1Q	11.4%	(10,555)	\$1.09
2014 4Q	11.4%	734	\$1.09
2014 3Q	11.4%	34,431	\$1.06
2014 2Q	13.9%	(370)	\$1.02
2014 1Q	13.8%	4,032	\$1.02
2013 4Q	14.1%	(3,450)	\$1.04
2013 3Q	13.9%	2,973	\$1.03
2013 2Q	14.1%	(8,309)	\$1.02
2013 1Q	13.5%	7,119	\$1.05
2012 4Q	14.0%	12,852	\$1.19
2012 3Q	14.9%	446	\$1.14

CoStar Property Analytics reports the vacancy rate of the surveyed multi-tenant retail properties has been showing signs of modest improvement over the last three years, decreasing from a high of 14.9% in mid-2012 to 10.9% in the most recent quarter, the lowest vacancy rate observed over the reported period. Over the same time period, lease rates for retail space in the immediate area has been fluctuating between \$1.02 and \$1.21 psf/month (NNN) in recent quarters following a significant decrease in the beginning of 2013 from an asking rate of \$1.19 psf/month to \$1.05 psf/month (NNN), as well as a substantial increase in the most recent quarter reported from \$1.09 psf/month in the first quarter of 2015 to \$1.21 psf/month (NNN) in the second quarter.

The following chart details the average vacancy rate, absorption and deliveries over the last three years, as well as the forecasted vacancy into 2017 as projected by CoStar Property Analytics.



According to this report, there is one retail project currently under construction within five miles of the subject that is anticipated to come online next quarter with 24,755 square feet of rentable area (The Western Shopping Center at 6700 Niles Street). Current asking lease rates at this project are \$1.45 psf/month (NNN), as reported by CoStar. In addition, there are two proposed multi-tenant retail projects within five miles of the subject including the 11,400 square foot College Center West community center (2607 Haley Street) and the 13,456 square foot Low Portales Center (1425 Chamberlain Avenue).

In regards to the subject, the retail component has a good location and visibility along the south side of State Highway 178. Further, upon completion of the Morning Drive interchange (Summer 2015), the property will also have good accessibility. It is expected the subject will compete well with other retail properties in the area.

Based upon current market supply and demand factors for retail properties in the subject's immediate area, as well as the new retail construction in the area and two additional proposed projects, it is our opinion retail development is a financially feasible use of the subject site as though vacant.

#### Maximum Productivity – Conclusion

Legal, physical and financial feasibility conditions have been analyzed to evaluate the highest and best use of the subject property. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, retail development of the subject property is the maximally productive land use that is legally permissible, physically possible and financially feasible. Considering the subject's specific

characteristics, the highest and best use of the subject property – as vacant – is to construct the multi-tenant retail project once demand and rental rates are sufficient to support development following the completion of the Morning Drive interchange.

### Probable Buyer

The most probable buyer of the subject's retail component is a developer familiar with the local market looking to acquire land for development.

### ***Transitional Land Component***

#### Legal Permissibility

The subject's 17.13± acres of transitional land are currently zoned for single-family to low density multifamily residential use (R-1 and R-2). However, this component is situated adjacent to the subject's medical office campus with a large cancer and imaging center (to the south), as well as a proposed large multi-tenant retail center (to the east). Based on our conversations with the property owner, due to the high demand for medical office space within the medical campus, they are looking to rezoning the transitional land to accommodate additional supporting medical office development, in addition to a proposed acute care rehabilitation hospital. It is our understanding the City is receptive to rezoning of the residential (transitional) land to office use, which conforms to the General Plan.

Overall, the legally permissible use of the subject's transitional land component is for rezoning to a similar land use designation as the subject's medical office campus (i.e., C-O).

#### Physical Possibility

With similar physical characteristics as the balance of the subject's site, it appears as if the legally permissible use of the subject's transitional land component is physically possible.

#### Financial Feasibility

The Bakersfield office market was previously discussed in the analysis of the subject's discussion of highest and best use as vacant of the medical office component.

Based upon current market supply and demand factors for office properties in the subject's market area, but primarily given the strong demand for the subject's proposed medical office campus, it is our opinion supportive medical office development ultimately represents a financially feasible use of the subject's transitional land as though vacant. Further, the subject property owner/developer is in negotiations with a user for an acute care rehabilitation hospital on approximately five acres of the transitional land area.

## Probable Buyer

The most probable buyer of the subject's transitional land component is a land speculator/developer.

## **Highest and Best Use – As Improved (Cancer and Imaging Center Only)**

As with the highest and best use as though vacant, the four tests of highest and best use must also be applied to the subject property considering the in-place improvements. Consideration must be given to the continued as-is use of the subject, as well as alternative uses for the property. The potential alternative uses consist of demolition, expansion, conversion or renovation. A discussion of the possible as improved uses is offered below.

### ***Demolition***

One alternative would be to demolish the subject structure, creating a vacant site. Although it is physically possible to demolish the improvements, it is not legally permissible given the existing leases. Further, demolition is not financially feasible. The value of the property as improved exceeds the value of the land as vacant. Therefore, demolition is not considered economically prudent.

### ***Expansion***

The floor area ratio of the subject property is within the typical range for similar properties in the region. In addition, the building is situated on the site in such a way that a significant amount of additional space, or a separate improvement, could not be added, especially due to parking requirements. Expansion is not considered to be an appropriate alternative.

### ***Conversion***

The subject property was specifically designed for medical office use. Conversion to a significantly different use would not be financially feasible or in line with the highest and best as vacant analysis. Therefore, conversion is not an appropriate alternative.

### ***Renovation***

The improvements will exhibit a new effective age upon completion of construction in September 2015. They will be functional and are expected to be in excellent condition. Major renovation of the structure is not considered appropriate.



### ***Continued Use – As-Is***

The subject property can legally and physically continue to be utilized in their exact as-is condition (based on a hypothetical condition; upon completion of the cancer and imaging center). Market conditions are showing signs of improvement in recent periods and the submarket is considered to be a viable location for commercial properties over the long term with the completion of the Morning Drive/Highway 178 interchange. Continued use of the subject is both financially feasible and maximally productive.

### ***Conclusion***

Legal, physical and financial considerations, as well as alternative uses, have been analyzed to evaluate the highest and best use of the subject property as improved. The most probable buyer would be an investor looking to manage the property as a leased investment.

## APPROACHES TO VALUE

The valuation process is a systematic procedure used in the valuation of real property.<sup>6</sup> This process involves the investigation, organization and analysis of pertinent market data and other related factors that affect the market value of real estate. The market data is analyzed in terms of any one or all of the three traditional approaches to estimating real estate value. These are the cost, sales comparison and income capitalization approaches. Each approach to value is briefly discussed and defined as follows:

### **Cost Approach**

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

The definition of the cost approach is offered as follows:

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, 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.<sup>7</sup>

### **Sales Comparison Approach**

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

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<sup>6</sup> The Dictionary of Real Estate Appraisal, 5<sup>th</sup> ed. (Chicago: Appraisal Institute, 2010), 205.

<sup>7</sup> The Dictionary of Real Estate Appraisal, 47.

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

The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.<sup>8</sup>

### **Income Capitalization Approach**

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

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

*Direct Capitalization:* A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only a single year's income is used. Yield and value changes are implied but not identified.<sup>9</sup>

*Yield Capitalization:* A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate.<sup>10</sup>

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

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.<sup>11</sup>

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<sup>8</sup> The Dictionary of Real Estate Appraisal, 5<sup>th</sup> ed. (Chicago: Appraisal Institute, 2010), 175.

<sup>9</sup> The Dictionary of Real Estate Appraisal, 58.

<sup>10</sup> The Dictionary of Real Estate Appraisal, 211.

<sup>11</sup> The Dictionary of Real Estate Appraisal, 99.

## IMPROVED MEDICAL OFFICE COMPONENT

### **COST APPROACH**

The cost approach is based upon the principle that a prudent buyer would not pay more for a particular property than the cost of producing a substitute property with equal desirability and utility. The estimate of value by the cost approach is derived by adding the value of the site to the depreciated cost of the improvements. This approach can be applied to any given structure based on either a replacement cost estimate, or a reproduction cost estimate. Both terms are defined as follows:

***Replacement Cost:*** The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout.<sup>12</sup>

***Reproduction Cost:*** The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, super adequacies, and obsolescence of the subject building.<sup>13</sup>

Since the subject represents proposed construction, we will essentially be employing a reproduction cost estimate when presenting the developer's costs since these represent the proposed cost for exactly what will be constructed. We will also present a cost analysis using costs extracted from the Marshall Valuation Service (Calculator section). Given the generic nature of these figures, this is essentially a replacement cost estimate.

The significant factors to address when considering the comparative-unit method of the cost approach to valuation are:

- Land Valuation
- Direct and Indirect Costs
- Accrued Depreciation
- Developer's Incentive

These four components of the cost approach will be presented on the following pages.

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<sup>12</sup> The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 168.

<sup>13</sup> The Dictionary of Real Estate Appraisal, 169.

## **Land Valuation**

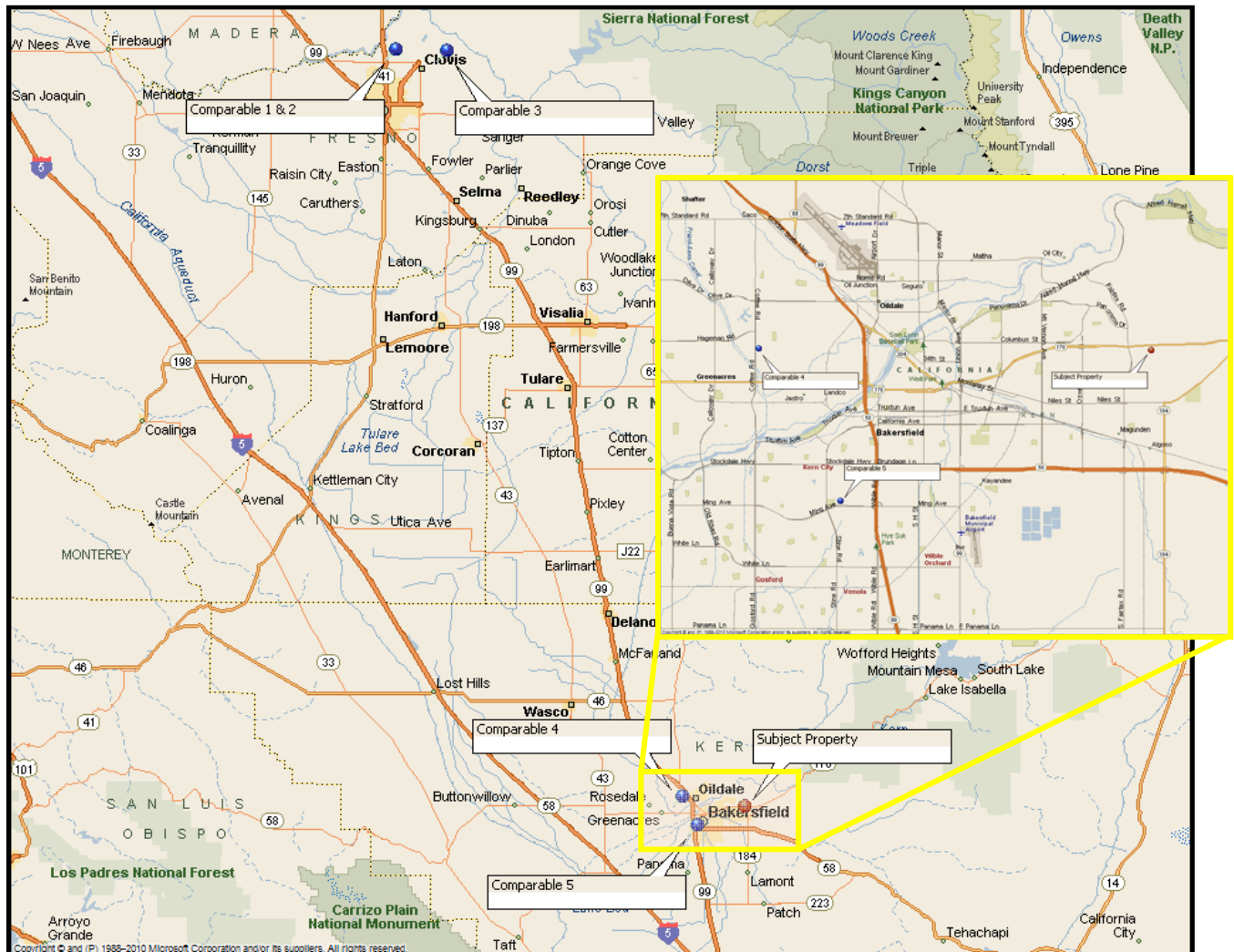
The first step in the cost approach is to estimate the market value of the subject's underlying land. Specifically, we are estimating the market value of the land area allocated to the subject's cancer and imaging center improvements (4.48± acres). The value of the subject's remaining vacant land will be estimated later in this report. In estimating the market value of the subject's cancer and imaging center land area, we researched recent sales of similar properties in the subject's market area and surrounding areas. After gathering the most comparable sales available, the sales comparison approach is employed to arrive at our opinion of market value for the subject property. In order to assemble the comparable sales, we searched public records and other data sources for leads, and then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers).

We will begin by presenting a summary tabulation and location map, followed detailed sales sheets and a discussion of adjustments necessary for comparison with the subject property. These sales are the most recent transactions considered reasonably similar to the subject.

## OFFICE LAND SALES SUMMARY

Sale No.	Location	Sale Date	Sale Price	Land Area (Acre/SF)	Price per SF	PV Bonds per Sf	Total Price per SF	Zoning / Land Use
1	321 E. Fir Avenue Fresno, Fresno County APN: 303-180-56	Aug-14	\$1,802,000	1.88 81,893	\$22.00	\$0.00	<b>\$22.00</b>	CP
2	303 E. Fir Avenue Fresno, Fresno County APN: 303-180-55	Oct-13	\$950,000	1.48 64,469	\$14.74	\$0.00	<b>\$14.74</b>	CP
3	SEC Herndon & Coventry Avenues Clovis, Fresno County APN: 553-020-70 through -73	Jun-13	\$3,033,500	6.19 269,636	\$11.25	\$0.00	<b>\$11.25</b>	CP
4	3707 Coffee Road Bakersfield, Kern County APN: 451-010-37	Jun-11	\$670,000	1.39 60,700	\$11.04	\$0.00	<b>\$11.04</b>	C-2
5	5001 Ming Avenue Bakersfield, Kern County APN: 355-010-21 (portion of)	May-11	\$1,675,000	2.16 94,090	\$17.80	\$0.00	<b>\$17.80</b>	PCD
Subject Property								
	South of Highway 178, West of Moring Drive Bakersfield, Kern County APN: 434-010-73	Jul-15 (appraisal)	-	4.48 195,149	-	-	-	C-O

## OFFICE LAND SALES MAP

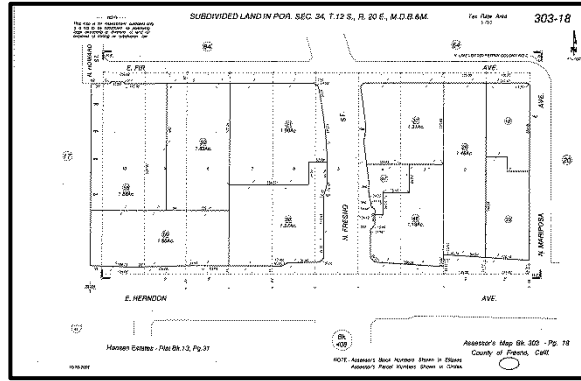


## OFFICE LAND SALE 1

### Property Identification

321 E. Fir Avenue  
Fresno, CA 93720  
Fresno County

APN: 303-180-56



### Sale Data

Grantor	Lee Gage
Grantee	SM2 Properties, LLC
Sale Date	August 26, 2014
Deed Book Page	98145
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$1,802,000
PV of Bonds	\$ 0
Total Consideration	\$1,802,000

### Land Data

Land Area (SF)	81,893
Land Area (Acres)	1.88
Zoning	CP, Administrative and Professional Office District
Shape	Rectangular
Corner Orientation	Yes
Street Frontage	E. Fir Avenue and N. Howard Street
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

### Indicators

Sale Price per SF	\$22.00
PV of Bonds per SF	\$ 0.00
Total Consideration per SF	\$22.00

### Remarks

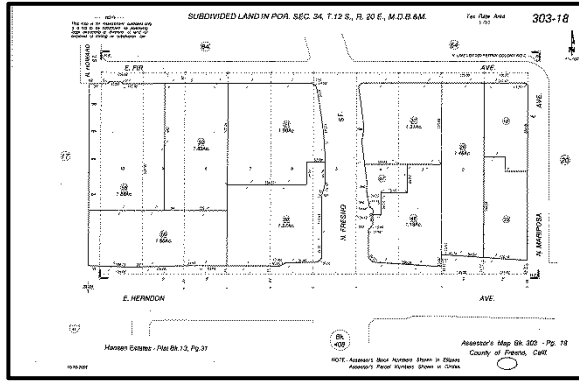
There are a variety of uses allowed under the CP (Administrative and Professional Office) zone, including (but not necessarily limited to) art galleries, banks, churches, day care facilities, spas/salons, hotels, laboratories, libraries, museums and professional and medical offices. This property is located at the southeast corner of E. Fir Avenue and N. Howard Street. It is noted that details regarding the transaction were provided by CoStar Property and public records, as parties directly involved in the transaction could not be reached for comment.

## OFFICE LAND SALE 2

### Property Identification

303 E. Fir Avenue  
 Fresno, CA 93720  
 Fresno County

APN: 303-180-55



### Sale Data

Grantor	Surinder Singh
Grantee	Harvender Singh
Sale Date	October 16, 2013
Deed Book Page	145225
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$950,000
PV of Bonds	\$ 0
Total Consideration	\$950,000

### Land Data

Land Area (SF)	64,469
Land Area (Acres)	1.48
Zoning	CP, Administrative and Professional Office District
Shape	Rectangular
Corner Orientation	No
Street Frontage	E. Herndon Avenue (no access)
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

### Indicators

Sale Price per SF	\$14.74
PV of Bonds per SF	\$ 0.00
Total Consideration per SF	\$14.74

### Remarks

While the property has an E. Fir Avenue address, its frontage and primary visibility is along E. Herndon Avenue, although access is not provided from E. Herndon Avenue. It is noted that details regarding the transaction were provided by CoStar Property and public records, as parties directly involved in the transaction could not be reached for comment. It is unknown whether the buyer and seller are related. The purchase price appears to be at market based upon other sales of similar properties in the market. The buyer plans to develop a medical office complex in the near future.

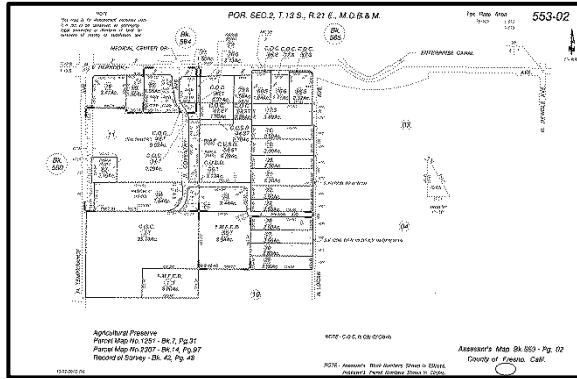


## OFFICE LAND SALE 3

### Property Identification

SEC Herndon & Coventry Avenues  
Clovis, CA 93611  
Fresno County

APN: 553-020-70 through -73



### Sale Data

Grantor	Cook Family Trust
Grantee	Fresno Community Hospital and Medical Center
Sale Date	June 17, 2013
Deed Book Page	145225
Property Rights	Fee Simple
Conditions of Sale	Below Market
Financing Terms	Cash Equivalent
Sale Price	\$3,033,500
PV of Bonds	\$ 0
Total Consideration	\$3,033,500

### Land Data

Land Area (SF)	269,636
Land Area (Acres)	6.19
Zoning	CP, Administrative and Professional Office District
Shape	Rectangular
Corner Orientation	Yes
Street Frontage	Herndon and Coventry Avenues
Topography	Generally level
Off-Site Improvements	Partial
On-Site Improvements	None

### Indicators

Sale Price per SF	\$11.25
PV of Bonds per SF	\$ 0.00
Total Consideration per SF	\$11.25

### Remarks

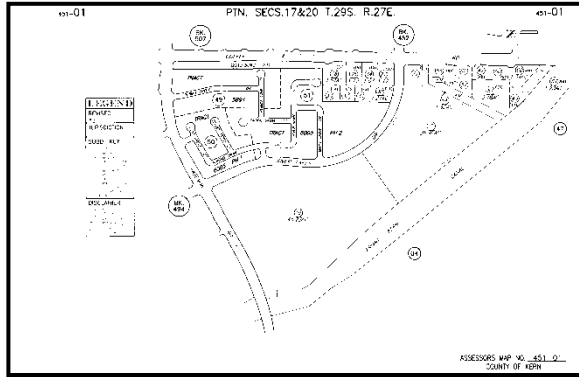
The listing broker for this property, who is also the seller, indicated that the buyer paid all realtor commissions, which is atypical (usually the seller pays commissions). The purchase price was effectively lowered by the amount of the commission (reported at 6% of the price) to account for this atypical situation. As such, the comparable is adjusted upward for conditions of sale. The property has utilities and streets, but no curbs, gutters or sidewalks. The site is located across the street from Clovis Community Medical Center, which is the largest employer in Clovis.

**OFFICE LAND SALE 4**

**Property Identification**

3707 Coffee Road  
 Bakersfield, CA 93308  
 Kern County

APN: 451-010-37



**Sale Data**

Grantor	Kern-HH & R Partners
Grantee	Taco Bell Corporation
Sale Date	June 10, 2011
Deed Book Page	75327
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$670,000
PV of Bonds	\$ <u>0</u>
Total Consideration	\$670,000

**Land Data**

Land Area (SF)	60,700
Land Area (Acres)	1.39
Zoning	C-2, Regional Commercial
Shape	Rectangular
Corner Orientation	Yes
Street Frontage	Coffee Road and River Lakes Drive
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

**Indicators**

Sale Price per SF	\$11.04
PV of Bonds per SF	\$ <u>0.00</u>
Total Consideration per SF	\$11.04

**Remarks**

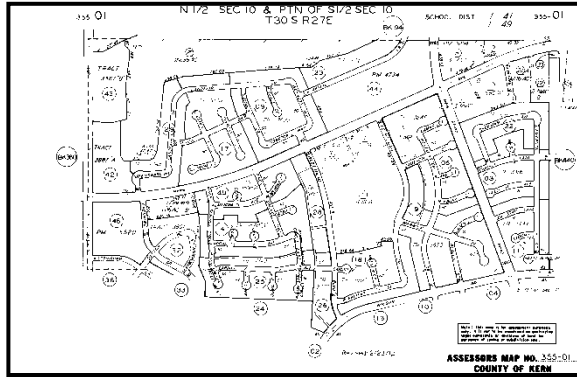
This property was purchased for development of a Taco Bell fast food restaurant. The buyer was required to install a second access drive from Coffee Road; the seller credited the buyer \$30,000 through escrow to assist with the costs of the access drive, resulting in the effective sales price shown above (\$670,000).

## OFFICE LAND SALE 5

### Property Identification

5001 Ming Avenue  
Bakersfield, CA 93309  
Kern County

APN: 355-010-21 (portion of)



### Sale Data

Grantor	Ming & Wible Center LLC
Grantee	Golden Corral Corporation
Sale Date	May 20, 2011
Deed Book Page	66404
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$1,675,000
PV of Bonds	\$ 0
Total Consideration	\$1,675,000

### Land Data

Land Area (SF)	94,090
Land Area (Acres)	2.16
Zoning	PDC, Planned Commercial
Shape	Irregular
Corner Orientation	Yes
Street Frontage	Ming Avenue and Raintree Court
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

### Indicators

Sale Price per SF	\$17.80
PV of Bonds per SF	\$ 0.00
Total Consideration per SF	\$17.80

### Remarks

This property represents a portion of Kern County APN 355-010-12, which encompasses 4.77 acres in total. Ming Avenue is one of Bakersfield's primary retail areas, and there is good retail synergy in this area. The site was reportedly going to be developed with a Golden Corral restaurant.

## *Discussion of Adjustments*

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

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

- Special assessments (PV of bonds)
- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Expenditures after sale
- Market conditions
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A discussion involving each of these factors is presented as follows:

### Present Value of Bonds

Bond debt has a direct impact on the amount for which the end product will sell. In an effort to account for the impact of bond indebtedness on the sales price, we establish a present value amount for the bond encumbrance based on the annual assessment. None of the office land comparables are encumbered by bonds; thus, the present value of the bonds is not necessary in this analysis.

### Property Rights Conveyed

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

## Financing Terms

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

## Conditions of Sale

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

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

As discussed in the sale summary, the buyer of Comparable 2 paid all realtor commissions, which is atypical and effectively lowered the purchase price. As such, this comparable is adjusted upward for conditions of sale.

## Expenditures After Sale

This category includes all costs required after the transaction. No adjustments are required for this element of comparison.

## Market Conditions

Market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic economy – one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline – extra attention needs to be paid to assess changing market conditions.

Significant monthly changes in price levels can occur in several areas of a city, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

In evaluating market conditions, changes between the comparable sales date and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no adjustment is required. After a prolonged period of decline from 2007 through 2011, the commercial real estate market has shown signs of stabilization and improvement within the past two years. Comparables 2 through 5, which transferred between 2013 and 2011, are adjusted upward to account for the improvement in market conditions since the dates of these transactions.

### Physical Characteristics

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

#### *Location*

The subject property is considered to possess an average location for medical office development, with proximity to single-family residential development to the south and west, as well as proposed residential development to the west. The comparables are located in market areas of the Southern San Joaquin Valley (Fresno and Bakersfield), as is the subject. However, Comparables 1 and 2 are located proximate to the largest medical center in Fresno, a superior locational attribute, warranting a downward adjustment. Additionally, Comparable 5, while also located in Bakersfield, is located in a retail corridor with higher land values and requires a downward adjustment for its superior location as well. The remaining comparables are located in areas with similar location attributes; no other adjustments are warranted.

#### *Visibility/Accessibility*

The visibility and accessibility of a property can have a direct impact on property value. For example, if a property is landlocked, this is considered to be an inferior position compared to a property with open accessibility. However, if a property has good visibility or is proximate to major linkages, this is considered to be a superior amenity in comparison to a property with limited visibility.

The subject property has limited visibility due to its lack of direct frontage along a public roadway, but this is somewhat mitigated by the fact the subject has accessibility from a private roadway and is situated just south of State Highway 178 at the soon-to-be-complete Morning Drive interchange.

Overall, the subject has average visibility/accessibility. Given this discussion, with the exception of Comparable 2, all of the sales do not warrant adjustment for visibility/accessibility. Comparable 2 has an E. Fir Avenue address, its frontage and primary visibility is along E. Herndon Avenue, although access is not provided from E. Herndon Avenue warranting an upward adjustment for inferior visibility/accessibility.

#### *Land Area*

The market generally exhibits an inverse relationship between parcel area and price per square foot such that larger parcels sell for a lower price per square foot than smaller parcels, all else being equal. For purposes of analysis, comparables with significantly larger parcel sizes than the subject are adjusted upward, while comparables with significantly smaller parcel sizes are adjusted downward.

#### *Off-Site Improvements*

All off-site improvements are in place for the subject and most of the comparable transactions. Comparable 3, however, had partial off-site work completed at the time of sale and receives a slight upward adjustment.

#### *On-Site Improvements*

Since we are estimating the market value of the cancer and imaging center's underlying land, in this analysis we are considering the subject property as if there were no on-site improvements in place. None of the comparables had on-site improvements; thus, no adjustments are warranted.

#### *Site Utility*

Differences in shape, topography, drainage or soil conditions can affect the utility and, therefore, the market value of undeveloped land. The subject and comparables offer average overall site utility; thus, no adjustments are applied for this factor.

#### *Zoning/Entitlements*

The subject property is zoned C-O – Professional and Administrative Office. A variety of office (professional and medical) and service commercial uses are permitted, and the highest and best use of the site is for office development. Most of the comparables exhibit similar commercial zoning designations as the subject, with the exception of Comparables 4 and 5, which have zones that allow for

a wider variety of retail development; therefore, these comparables are adjusted downward for their superior zoning.

### Conclusion of Land Value

Several land sales were analyzed for comparison to the subject’s land area allocated to the cancer and imaging center. The market data analyzed herein reflects a range in value of \$11.04 to \$22.00 per square foot of land area. Overall, Comparables 1 through 3 are the most recent transactions we were able to confirm with similar zoning and highest and best use as the subject property; however, they are all located within the Fresno MSA. Although Comparables 4 and 5 are the oldest transactions analyzed, they are located in Bakersfield and are deemed to be reasonable indicators of value. The following grid arrays the comparables as they relate to the subject, suggesting where the subject’s land value should fall in comparison.

Indicator	Total Price per SF	Overall the comparable is deemed... to the subject property	Market Conditions	Location	Visiblty/ Accessibility	Land Area (Acres)	Off-Site Improvements	On-Site Improvements	Site Utility	Zoning/ Entitlements
Comparable 1	\$22.00	Superior	↔	↓	↔	↓	↔	↔	↔	↔
			Aug-14	Sl. Superior	Similar	1.88	Similar	Similar	Similar	CP
Comparable 5	\$17.80	Similar	↑↑↑	↓	↔	↓	↔	↔	↔	↓
			May-11	Superior	Similar	2.16	Similar	Similar	Similar	PCD
<b>SUBJECT</b>			Jul-15	Average	Average	4.48	All to site	None	Average	C-O
Comparable 2	\$14.74	Similar	↑	↓	↑↑	↓	↔	↔	↔	↔
			Oct-13	Sl. Superior	Inferior	1.48	Similar	Similar	Similar	CP
Comparable 3	\$11.25	Inferior	↑	↔	↔	↔	↑	↔	↔	↔
			Jun-13	Similar	Similar	6.19	Sl. Inferior	Similar	Similar	CP
Comparable 4	\$11.04	Inferior	↑↑↑	↔	↔	↓	↔	↔	↔	↓
			Jun-11	Similar	Similar	1.39	Similar	Similar	Similar	C-2

Note: "↑" symbol connotes a "Superior" element of comparison to the subject property warranting a downward adjustment, "↑↑" symbol connotes an "Inferior" element of comparison warranting an upward adjustment, and "↔" symbol connotes "Similar" warranting no adjustment

Based on the preceding discussion, and considering the specifics of the subject property, a conclusion of land value for the subject’s land area allocated to the cancer and imaging center of **\$15.00 per square foot** is considered reasonable. Applying this unit indicator to the cancer and imaging center’s land area results in the following estimate of land value via the sales comparison approach:

$$4.48 \text{ acres} \times 43,560 \text{ square feet} \times \$15.00 \text{ per square foot} = \$2,927,235$$

**Rd. \$2,930,000**

### Direct and Indirect Costs

We will provide two cost approach valuation sheets at the end of this section reflecting the costs from the developer’s budget, as well as the costs extracted from the Marshall Valuations Service (MVS), a nationally recognized cost manual published by the Marshall and Swift Corporation. There are two sources of cost incurred in this type of project – direct and indirect costs. Direct costs reflect the actual cost of labor and materials to construct a building similar to the subject.



A tabulation of some of the typical direct cost items is as follows:

- Building shell
- Core improvements
- Tenant improvements
- Site improvements
- Building permits and fees
- Equipment
- Construction labor
- Supervision
- Security during construction
- Contractor's shack and temporary fencing
- Power line installation and utility costs

Indirect costs are the carrying costs and fees incurred in developing the project and during the construction cycle. An itemization of some of the typical indirect items is as follows:

- Architectural and engineering fees
- Surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of curing the investments in land and contract payments during construction
- If the payment is financed, the points, fees or service charges and interest on construction loans
- All-risk insurance
- Interim property taxes during construction
- Leasing commissions
- Marketing, sales commissions or title transfers

We will then reconcile these two cost estimates into a final conclusion of hypothetical market value of the cancer and imaging center, assuming the improvements have been completed.

### ***Developer's Costs***

Based on the developer's cost budget, the market value of the subject property via the cost approach is offered later in this section. Direct and indirect costs were extracted directly from the budget (see Appendix), inasmuch as these costs were determined to be consistent with market costs (the costs were determined to be within market parameters).

### ***Marshall Valuation Service***

For the Marshall Valuation Service direct and indirect cost estimate, we will start by showing the per square foot cost indicators (Calculator Method) for the cancer and imaging center. In light of the

physical characteristics of the subject, we will utilize a Good Class C Outpatient Center cost indicator; this category of improvements is deemed as being most similar to the subject. Before going further in this analysis, it is important to discuss what is included and what is not included in the cost indicator. These items, as stated verbatim in the Marshall Valuation Service manual, are tabulated as follows:

#### Included in the Costs

1. In the Calculator Section, the actual costs used are final costs to the owner and will include average architect's and engineer's fees. These, in turn, include plans, plan check and building permits, and survey to establish building lines and grades.
2. Normal interest on only the actual building funds during period of construction and processing fee for service charges is included. Typically, this will average half of the going rate over the time period plus the service fee.
3. Material and labor costs include all appropriate local, state and federal sales or GSE taxes, etc.
4. Normal site preparation including finish, grading and excavation for foundation and backfill for the structure only.
5. Utilities from structure to lot line figured for typical setback except where noted in some Unit-in-Place cost sections (mobile homes).
6. Contractor's overhead and profit including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance, equipment, temporary facilities, security, etc., are included.

#### Not Included in the Costs

1. Costs of buying or assembling land such as escrow fees, legal fees, property taxes, right of way costs, demolition, storm drains, or rough grading, are considered costs of doing business or land improvement costs.
2. Piling or hillside foundations are priced separately in the manual and are considered an improvement to the land. This also refers to soil compaction and vibration, terracing, etc.
3. Costs of land planning or preliminary concept and layout for large developments inclusive of entrepreneurial incentives or developer's overhead and profit are not included, nor is interest or taxes on the land, feasibility studies, certificate of need, environmental impact reports, hazardous material testing, appraisal or consulting fees, etc.
4. Discounts or bonuses paid for financing are considered a cost of doing business, as are funds for operating start up, project bond issues, permanent financing, developmental overhead for fixture and equipment purchases, etc.
5. Yard improvements including septic systems, signs, landscaping, paving, walls, yard lighting, pool or other recreation facilities, etc.

6. Off-site costs including roads, utilities, park fees, jurisdictional hookup, tap-in, impact or entitlement fees and assessments, etc.
7. Furnishings and fixtures, usually not found in the general contract, that are peculiar to a definite tenant, such as seating or kitchen equipment, etc.
8. Marketing costs to create first occupancy including model or advertising expenses, leasing or broker's commissions, temporary operation of property owners' association, fill-up or membership sales costs and fees.

The cost indicator applicable to the subject property is calculated in the following table.

<b>Outpatient Centers Good Class C (Section 15, Page 25)</b>	
Base Cost	\$ 287.88
Fire Sprinklers	\$ 3.00
Elevators (2 @ \$61,250)	\$ 1.90
	\$ 292.78
Current Multiplier	1.010
Local Multiplier	1.180
Perimeter Multiplier	1.000
Height Multiplier	<u>1.000</u>
<b>Total Cost</b>	<b>\$ 348.94</b>

One lump sum cost factor must also be considered for site improvements, including paving, parking and landscaping. Generally, site improvement costs range between \$4.00 and \$10.00 per square foot for parcels of similar size, shape and topography, with some site's reporting costs as high as \$20.00 per square foot. The developer's site cost estimate is \$14.06 per square foot, which is slightly higher (given the size of the property and sloped terrain, as well as minimal off-site improvements currently in place) and will be incorporated in the analysis.

In addition to the above costs, several indirect cost items must be included for a complete cost approach valuation. These items include the appraisal fee, interim property taxes, title and escrow on land, leasing commissions (based on a typical lease term and the weighted average rental rate based on the potential gross income of the subject property), and a contingency factor for cost and/or construction time overruns. Cost estimates for each of these items are estimated on the summary sheet at the end of this section.

## **Accrued Depreciation**

Accrued depreciation represents a loss in value from the replacement cost estimate of improvements from any cause, as of the date of the appraisal. A loss to structures or other improvements emanates from one or more of three sources. The sources are physical deterioration, functional obsolescence or external obsolescence.

The five basic elements of accrued depreciation in structures are:

- Curable physical deterioration
- Incurable physical deterioration
- Curable functional obsolescence
- Incurable functional obsolescence
- External obsolescence

### ***Curable Physical Deterioration***

This refers to items of deferred maintenance; the estimate of curable physical deterioration is applicable only to the items subject to current repair. Thus, the measure of this element of accrued depreciation is the cost of restoring an item to new or reasonably new condition (that is, cost to cure), which may include the cost of exterior painting, roof repair, flooring, etc. Upon completion of the proposed improvements, the subject will represent new construction. It is presumed there will be no curable physical deterioration of the subject at this time.

### ***Incurable Physical Deterioration***

Incurable physical deterioration involves an estimate of depreciation that is not practical or currently feasible to correct. It pertains to all structural elements that are not listed in the physically curable category. Once again, the subject represents new construction; therefore, it will not be affected by incurable physical deterioration.

### ***Functional Obsolescence (curable and incurable)***

Functional obsolescence is the adverse effect on value resulting from defects in design. To be curable, the cost of replacing the outmoded or unacceptable aspect must be at least offset by the anticipated increase in value. Incurable functional obsolescence may be caused by a deficiency or by a super adequacy. When addressing the issue of functional obsolescence, the first step is to examine the improvements and site planning to see if a functional problem is apparent. The subject improvements will be able to perform their intended function in a manner consistent with current market expectations and standards. Based on our review of the architectural plans for the cancer and imaging center, it is our opinion the subject is a well-laid out, functional medical office building. It

will not be impacted by any functional obsolescence at the time construction is complete. Consequently, there is no deduction for either form of functional obsolescence in the cost approach summaries that follow.

### ***External Obsolescence***

External obsolescence is defined as an element of depreciation where a diminution in value is caused by negative externalities and is generally incurable on the part of the owner, landlord, or tenant. External influences may be temporary, but in reality are nearly always incurable. It is noted that negative external factors tend to have a market or submarket-wide impact on other properties as well.

While under current market conditions, many office properties have been, and currently are, impacted by external obsolescence, the subject is unique in that it offers specialized improvements not found in most medical office properties within the city (or even region) that appear to have mitigated this form of depreciation. As the reader will note later in this report, the value indicated by the income capitalization approach supports our cost approach analysis providing for an adequate financial incentive to the developer. Consequently, no deduction for external obsolescence will be made in the cost approach summaries that follow.

### **Developer's Incentive**

A complete cost approach must include all elements of cost in order to reach a conclusion of value that is equivalent to, and can therefore be reconciled with, the two other approaches to value. One element of cost to make the approaches equivalent is developer's, or entrepreneurial, incentive. This is the idea that a developer must be compensated for the efforts required to bring together the resources necessary to construct (or develop) the building improvements under analysis. In terms of timing, it is noted that incentive does not become tangible profit until the property is completed and sold for an amount greater than direct and indirect costs, plus land value. It is titled "incentive" because it is profit that is anticipated to be achieved at completion. It is the motivation required for a real estate development project to be undertaken.

Developer's, or entrepreneurial, incentive is the amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement.<sup>14</sup>

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<sup>14</sup> The Dictionary of Real Estate Appraisal, 5<sup>th</sup> ed. (Chicago: Appraisal Institute, 2010), 67.

Based on past surveys of commercial real estate developers, an entrepreneurial incentive of 10% to 25% of direct and indirect costs is required for a project to be undertaken. Based on a conversation with Mr. Gray Bruno, President/CEO of G.L. Bruno associates (the property owner and developer), who has developed similar high end specialty medical office properties throughout the region; a developer's incentive of 10% to 12% is common.

Given the specifics of the proposed development we have selected a developer's incentive factor towards the lower end of the above market range of **15%**, but consistent with Mr. Bruno's estimate. For the reader's reference, the developer's budget indicates a profit potential for the cancer and imaging center of \$2,251,580, or 9% on total cost. It is our opinion this profit potential may be somewhat conservative.

## Conclusion

Based on the components discussed above, our valuation of the subject property via the cost approach is offered below and on the next page.

### COST APPROACH SUMMARY – DEVELOPER'S COSTS

<b>Direct Costs</b>				
Building Costs				\$ 18,786,750
Site Improvements				<u>\$ 2,743,741</u>
<b>Total Direct Costs</b>				\$ 21,530,491
<b>Indirect Costs</b>				
Appraisal Fee				\$ 30,000
Permits & Fees	@	\$3.41	of land area	\$ 666,059
Utilities	@	0.9%	of direct costs	\$ 202,026
Interim Property Taxes - Ad Valorum	@	1.1176%	of land value for 6 mos.	\$ 16,373
Interim Property Taxes - Direct Charges	@	\$1,007	for 6 mos.	\$1,007
Insurance	@	0.27%	of direct costs	\$ 57,322
Title & Escrow	@	3.1%	of direct costs	\$ 672,944
Architect & Engineering	@	7.5%	of direct costs	\$ 1,618,694
Consultants	@	2.8%	of direct costs	\$ 606,923
Legal & Accounting	@	0.7%	of direct costs	\$ 145,114
Leasing Commissions	@	3.0%	x 150 mos. @ \$ 3.54 psf/mo.	<u>\$ 1,054,907</u>
<b>Total Indirect Costs</b>				\$ 5,071,369
<b>Contingency</b>	@	5.0%	of direct costs	<u>\$ 1,076,525</u>
<b>Total Direct and Indirect Costs</b>				\$ 27,678,385
<b>Entrepreneurial Incentive</b>	@	15%	of total direct and indirect costs	\$ 4,151,758
<b>Accrued Depreciation</b>				<u>\$ -</u>
<b>Depreciated Costs</b>				\$ 31,830,142
<b>Land Value</b>				<u>\$ 2,930,000</u>
<b>Total Project Costs</b>				\$ 34,760,142
<b>CONCLUSION OF VALUE (DEVELOPER'S COSTS)</b>				<b>(Rd.) \$ 34,760,000</b>

## COST APPROACH SUMMARY – MARSHALL VALUATION SERVICE COSTS

<b>Direct Costs</b>			
Cancer & Imaging Center	66,139	SF x \$348.94 per SF =	\$ 23,078,297
Site Improvements	195,149	SF x \$14.06 per SF =	<u>\$ 2,743,741</u>
<b>Total Direct Costs</b>			<b>\$ 25,822,038</b>
<b>Indirect Costs</b>			
Appraisal Fee			\$ 30,000
Interim Property Taxes - Ad Valorum	@ 1.1176%	of land value for 6 mos.	\$ 16,373
Interim Property Taxes - Direct Charges	@ \$1,007	for 6 mos.	\$ 1,007
Title & Escrow	@ 3.1%	of direct costs	\$ 800,483
Leasing Commissions	@ 3.00%	x 150 mos. @ \$3.45 psf/mo.	\$ 1,026,874
Administrative	@ 1.8%	of direct costs	<u>\$ 464,797</u>
<b>Total Indirect Costs</b>			<b>\$ 2,339,534</b>
<b>Contingency</b>	@ 5.0%	of direct costs	<u>\$ 1,291,102</u>
<b>Total Direct and Indirect Costs</b>			<b>\$ 29,452,673</b>
<b>Entrepreneurial Incentive</b>	@ 15%	of total direct and indirect costs	<u>\$ 4,417,901</u>
<b>Subtotal Costs</b>			<b>\$ 33,870,574</b>
<b>Accrued Depreciation</b>			<u>\$ -</u>
<b>Depreciated Costs</b>			<b>\$ 33,870,574</b>
<b>Land Value</b>			<u>\$ 2,930,000</u>
<b>Total Project Costs</b>			<b>\$ 36,800,574</b>
<b>CONCLUSION OF VALUE (MARSHALL ESTIMATE)</b>			<b>Rd. \$ 36,800,000</b>

## Reconciliation – Cost Approach

In developing the cost approach to value we utilized two costing sources to estimate the hypothetical market value of the subject property (assuming completion of construction and stabilized occupancy). The following market value conclusions will be reconciled into our final cost approach value conclusion.

<b>Developer's Cost Budget</b>	<b>\$34,760,000</b>
<b>Marshall Valuation Service</b>	<b>\$36,830,000</b>

Primary reliance is placed on the cost approach created using the developer's costs due to the fact they are directly applicable to the future physical characteristics of the subject property. Further, they are based on labor and material costs from the local market, as well as Bakersfield permit and fee costs and other locally-derived indirect costs.

Secondary weight is placed on the market value estimated using costs from the Marshall Valuation Service (MVS) cost manual. For a large, multi-tenant, medical office like the subject, it is our opinion the Calculator Method of the MVS provides a good check as to the reasonableness of the developer's budget, but ultimately is too broad in its building classifications to provide a strong indication as to the actual cost of construction, especially given the subject's highly specialized and costly fixtures.

Therefore, with slightly more reliance placed on the developer's budget, the indicated market value of the leased fee interest in the subject's cancer and imaging center (based on a hypothetical condition) by the cost approach is **\$34,800,000**.



## **INCOME CAPITALIZATION APPROACH – DIRECT CAPITALIZATION**

For income-producing real estate, the future earning power of the property is widely regarded as the single most critical element affecting its value. Hence, the income capitalization approach is often deemed the most meaningful indication of value.

Direct capitalization converts an estimate of a single year's net operating income into an indication of value in one direct step. This step is accomplished either by dividing the income estimate by the relevant income rate (an overall capitalization rate), or by multiplying the income estimate by a proper factor (such as a gross, effective gross or net income multiplier). In the subject's market area, buyers and sellers of properties like the subject typically handle direct capitalization by using an overall rate as opposed to a multiplier. Therefore, this method of direct capitalization will be employed in this analysis.

The components of the direct capitalization method are tabulated as follows:

- Potential Gross Income
- Vacancy and Collection Loss
- Operating Expenses
- Overall Capitalization Rate

These four components are discussed on the following pages and will be combined at the end of this section to provide an estimate of market value of the subject property.

### **Potential Gross Income**

#### ***Contract Rent***

The subject property represents a proposed 66,139± square foot cancer and imaging center. Currently, 62,556± square feet has been preleased (95%), with the remaining 3,583± square feet (general medical office space) anticipated to be leased prior to the completion of construction. According to Ms. Elizabeth Rojo, Vice President of Operations of G.L. Bruno Associates, Inc., the vacant space is being marketed towards a high modality user suggesting an asking rental rate and tenant improvement allowance towards the upper end of the ranges within the proposed project.

The terms of the existing leases were recreated and summarized in the rent roll on the following page. The building is anticipated to be completed in September 2015, which will represent the start date for the following leases.

## RENT ROLL

Tenant	Useable Area (SF)	Net Rentable Area (SF)	Space Type	Lease Term	Monthly Base Rent	Base Rent PSF/Mo.	Lease Type	TI Allowance (PSF of Useable)	Escalations
Bakersfield Specialist Surgical Center, LLC	8,999	10,424	High End Medical	15 years	\$48,035.73	\$4.61	NNN	\$270.00	CPI
Advanced Radiosurgery and Radiotherapy of Kern, LLC	8,065	9,341	High End Medical	15 years	\$41,570.52	\$4.45	NNN	\$240.00	CPI
Kern Radiology Imaging Systems, Inc.	13,253	15,351	High End Medical	15 years	\$60,943.27	\$3.97	NNN	\$200.00	CPI
Kern Radiology Admin. Suite	4,202	4,867	Medical Office	10 years	\$13,238.72	\$2.72	NNN	\$110.00	CPI
Opti Max Consulting Services, LLC	3,960	4,587	Medical Office	10 years	\$9,357.21	\$2.04	NNN	\$50.00	CPI
Bakersfield Hospitality Center, LLC	1,996	2,312	Medical Office	5 years	\$6,565.99	\$2.84	NNN	\$120.00	CPI
Advanced Radiosurgery and Radiotherapy of Kern II, LLC	8,104	9,387	Medical Office	10 years	\$26,658.69	\$2.84	NNN	\$120.00	CPI
Physical Therapy - Pair & Marotta	5,428	6,287	Medical Office	10 years	\$12,825.99	\$2.04	NNN	\$50.00	CPI
Vacant	3,093	3,583	High End Medical	-	\$15,942.67	\$4.45	NNN	\$240.00	CPI

	High End Medical	Medical Office	Property Total
<b>Rentable Building Area</b>	35,116	31,023	<b>66,139</b>
<b>Leased Area</b>	35,116	27,440	<b>62,556</b>
<b>Vacant Area</b>	0	3,583	<b>3,583</b>
<b>Vacancy</b>	0%	12%	<b>5%</b>
<b>Total Annual Income</b>	\$150,550	\$68,647	<b>\$219,196</b>
<b>Average Rent/SF/Year</b>	\$4.29	\$2.50	<b>\$3.50</b>

Based on conversations with Mr. Gary Bruno and Ms. Elizabeth Rojo, President/CEO and Vice President of Operations of G.L. Bruno Associates, Inc., the vacant space will be leased in the near term, prior to the completion of construction, which is supported by the level of interest in the subject property. Thus, a lease-up deduction is not considered necessary in this analysis.

### ***Market Rent***

For the purpose of determining market rent for the subject property, we have conducted a rental survey of similar high end medical and general medical office properties throughout the region. Adjustments will be applied to account for any differences between the comparables and the subject property relating to differences in rentable area, location, effective age/condition, visibility/accessibility and overall quality. We will analyze the subject on triple-net terms, consistent with the predominant leasing strategy in the market, whereby the tenant is responsible for the payment or reimbursement of all property expenses except for property management. The results of the rent survey are summarized on the following pages, along with a location map. It should be noted given the uniqueness of the high end (build-to-suit) medical office space, we've expanded our geographic search statewide.

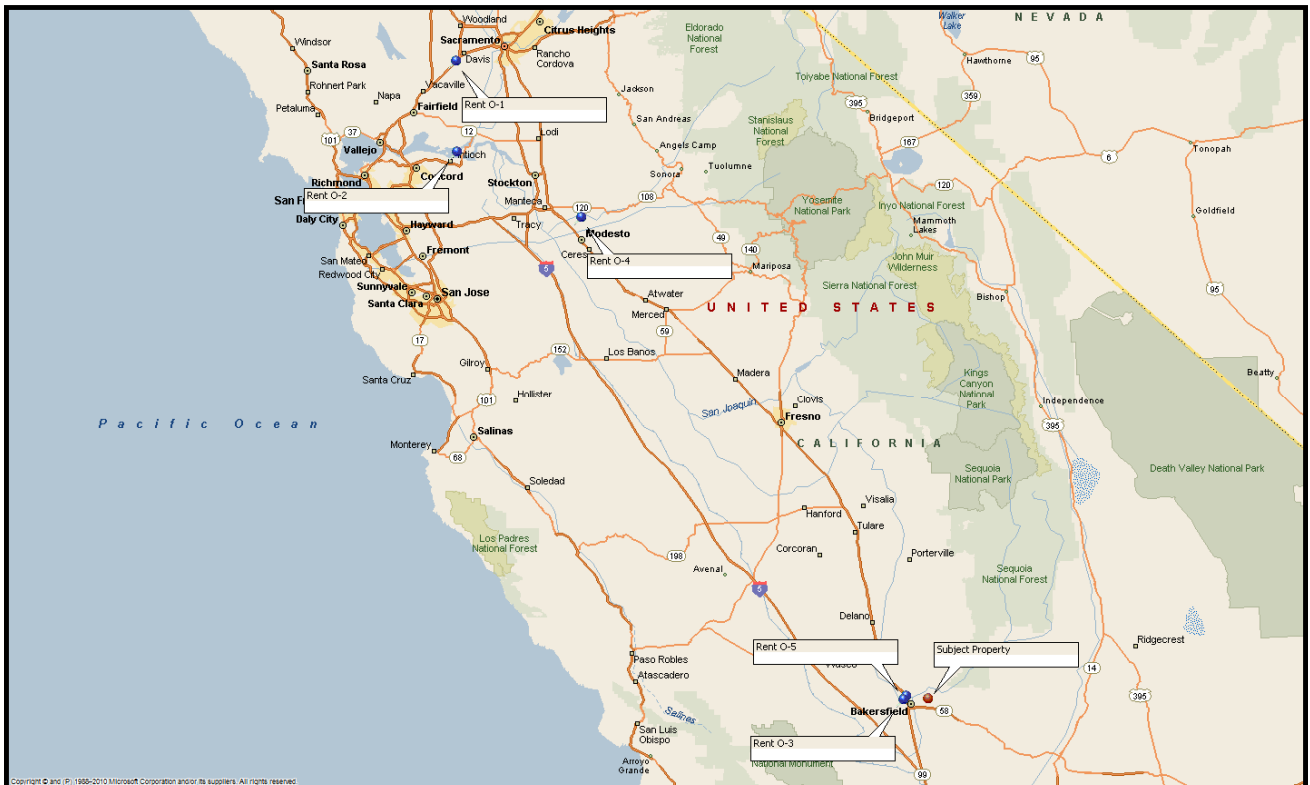
## RENT SURVEY SUMMARY

No.	Tenant / Property Identification	Lease Began	Lease Term	Rentable Area (SF)	Rent PSF/Mo.	Lease Type	Adj. to NNN	Year Built
<b><u>High End Medical Comparables</u></b>								
M-1	<b>Outpatient North Surgery Center</b> 1105 E. Spruce Avenue Fresno, Fresno County	Oct-14	10 years	13,165	\$3.25	NNN	<b>\$3.25</b>	2005
M-2	<b>Community Medical Centers</b> 2335 E. Kashian Lane Fresno, Fresno County	Mar-14	Confidential	31,948	\$2.15	NNN	<b>\$2.15</b>	2009
M-3	<b>Undisclosed tenant</b> 9300 Stockdale Highway Bakersfield, Kern County	Dec-13	5 years	8,061	\$2.89	NNN	<b>\$2.89</b>	2000
M-4	<b>Antelope Valley Hospital</b> 44151 15th Street Lancaster, Los Angeles County	Dec-13	15 years	26,981	\$3.15	NNN	<b>\$3.15</b>	2013
M-5	<b>Confidential</b> 2184 Court Street Redding, Shasta County	Sep-13	10 years	5,984	\$3.70	NNN	<b>\$3.70</b>	2001
M-6	<b>K&amp;B Surgical</b> 9033 Wilshire Boulevard Beverly Hills, Los Angeles County	Jan-13	8 years	1,517	\$5.97	Gross	<b>\$5.20</b>	2010
<b><u>Medical Office Comparables</u></b>								
O-1	<b>DaDita Dialysis</b> 1640 North Lincoln Street Dixon, Solano County	Jun-15 (current)	12 years	5,525	\$2.24	NNN	<b>\$2.24</b>	2006
O-2	<b>Confidential</b> Confidential Antioch, Contra Costa County	Apr-15	20 years	23,400	\$2.64	NNN	<b>\$2.64</b>	2014
O-3	<b>Dr. Daniel Chang</b> 500 Old River Road Bakersfield, Kern County	Sep-14	5 years	3,071	\$1.75	NNN	<b>\$1.75</b>	1992
O-4	<b>DaDita Dialysis</b> 3001 Health Care Way (near Dale Road) Modesto, Stanislaus County	Mar-14	15 years	7,650	\$2.59	NNN	<b>\$2.59</b>	2013
O-5	<b>Listing</b> 8301 Brimhall Road Bakersfield, Kern County	Listing	Negotiable	7,500	\$2.00	NNN	<b>\$2.00</b>	New

## RENT SURVEY MAP – HIGH END MEDICAL



## RENT SURVEY MAP – MEDICAL OFFICE



## ***Adjustment Discussion***

In order to determine if the subject property is leased at market and estimate market rent for the vacant space, lease comparables were gathered from similar high end medical and general medical office properties throughout the region. Most are buildings (or rentable units within buildings) with generally similar attributes: location, parking, access, etc. The comparables considered most similar to the subject were presented on the previous pages. While generally similar, the comparables do require adjustments for factors relating to lease type, lease conditions, market conditions, and physical characteristics. A discussion of these elements of comparison is offered as follows:

### Lease Type

The subject is analyzed on triple-net terms, consistent with the predominant leasing strategy in the market. All but one of the comparables were leased on triple-net terms; Rent M-6 is leased on a gross leasing strategy and a downward adjustment is required to account for the additional operating expenses the property owner is responsible for (property taxes, insurance and maintenance/repairs).

### Lease Conditions

Most of the lease comparables represent arm's length, market transactions and no adjustments are warranted. The listing utilized in our analysis is adjusted downward for the likelihood of a contract rent lower than the asking rent due to tenant negotiations.

### Market Conditions

An adjustment for changes in market conditions was considered. The medical office market in Bakersfield has fluctuated in recent quarters, with some signs of normalization and modest improvement. Slight upward adjustments are applied to those comparables that commenced prior to 2014.

### Location

The next element to be considered is location. The subject property is considered to possess an average location for medical office development, given its location within a planned medical office campus, and its proximity to major transportation routes. Surrounding land uses are primarily residential in nature, with an expanding population base in close proximity due to a large amount of vacant land. Most of the comparables are located within similar areas and do not require adjustments; however, Rent M-5 is located in an inferior market area (Redding, Northern California) when compared to the subject and an upward adjustment is made. Conversely, a downward

adjustment is applied to Rent M-6 due to its location in a superior market area (Beverly Hills/Los Angeles).

#### Visibility/Accessibility

All of the comparables are located in close proximity to regional highways and have good visibility along neighborhood thoroughfares. No adjustments for this element of comparison are warranted.

#### Rentable Area

In general, due to economies of scale, the market exhibits an inverse relationship between suite size and rent per square foot such that larger suites lease for a lower price per square foot than smaller suites, all else being equal. To account for this tendency, applicable adjustments are applied for differences in rentable area. The comparables that are appreciably larger than the subject's average suite sizes (11,175± square feet for the high end medical suites and 5,058± square feet for the medical office suites) are adjusted upward, and vice versa.

#### Quality of Construction

The quality of the subject property is judged to be above average (or good) in terms of architecture and design, construction materials, ease of ingress/egress and other features, not to mention the specialized improvements (i.e., surgery center, radiation oncology center, imaging center, etc.). Rents M-2, M-3, M-5, O-4 and O-5 were determined to have an inferior level of construction in comparison to the subject property based on the tenant type and the appraiser's knowledge of the property (either based on a physical inspection or conversation with a party involved).

#### Effective Age/Condition

The subject building is of new construction and is in excellent condition. An adjustment of approximately 1% per year difference in effective age is applied to the comparables with different effective ages compared to the subjects. Those with higher effective ages are adjusted upward, and vice versa. The adjustment reflects the discrepancy in remaining economic life.

### ***Determination of Market Rent***

Market rent is the rental income that a property would most probably command in the market place. For purposes of our analysis, market rent will be estimated according to the following assumptions:

- Regionally or nationally recognizable tenant;
- Triple-net leasing strategy; and
- Long term leases (10 to 20 years).

As discussed, lease comparables were gathered from similar properties throughout the region and state, and adjustments were applied for varying property characteristics. The comparable properties presented on the preceding pages are considered the most similar to the subject that we could accurately confirm. For purposes of our analysis, and to be consistent with the subject's existing leases, we have analyzed the subject on triple-net terms.

Factors considered when adjusting the comparables consist of lease type, lease conditions, market conditions, and differences in physical characteristics. In equating the comparables to the subject, all are considered reasonable indicators of market rent. The subject's contract rent and the market rental ranges indicated by the comparables (following applicable adjustments) are as follows:

<b>Space Type</b>	<b>Contract Rent Range</b>	<b>Contract Rent Average</b>	<b>Subject's Asking Rent</b>	<b>Market Rent Range</b>
High End Medical	\$3.97 to \$4.61	\$4.34	\$4.45	\$3.58 to \$4.86 *
Medical Office	\$2.04 to \$2.84	\$2.50	N/Ap	\$2.00 to \$2.93

\* Excluding the largest comparable (Rent M-2)

The subject's high end medical spaces are determined to be leased at market, as contract rents are within the range indicated by the comparables. While toward the upper end of the range, the subject is representative of a world-class comprehensive cancer treatment facility and the costly specialized fixtures (concrete linear accelerator vault in the radiation oncology center, and two rooms for MRI and CT scanning in the imaging center) are required for the high end medical tenants resulting in higher than typical contract rental rates.

For the standard medical office spaces, the existing leases have contract rental rates within the range indicated by the comparables. Thus, the subject's medical office existing leases are considered to be at market. The vacant suite is being marketed for \$4.45 psf/month, triple-net. Since the existing contract leases for high end medical space is at market, a market rental rate of \$4.25 psf/month, triple-net, will be applied to the vacant high end medical space.

### ***Tenant Reimbursements***

Consistent with a triple-net leasing strategy, tenant reimbursements comprise a portion of potential gross income. Under triple-net terms, the tenant reimburses the owner for their pro-rata share of operating expenses, excluding management. Because utilities and janitorial expenses are paid directly to the providers by the tenant (individually metered), these items are not shown in our analysis. Expense items are discussed in the *Operating Expenses* discussion in this report.

### ***Total Potential Gross Income***

The total potential gross income for the subject consists of contract rent, market rent and tenant reimbursements. This income is calculated in the *Income Capitalization Approach* summary sheet at the end of this section.

### **Vacancy and Collection Loss**

This portion of the analysis considers the valuation of the subject property at stabilized occupancy. Stabilized occupancy is defined as follows:

An expression of the expected occupancy of a property in its particular market considering current and forecasted supply and demand, assuming it is priced at market rent.<sup>15</sup>

In keeping with the concept of stabilized occupancy, an allowance for vacancy and collection loss must be considered for reductions in potential income attributable to vacancies, tenant turnover and nonpayment of rent.

Vacancy and collection loss factors of 5% to 10% are typical for most investment properties. According to CoStar Analytics for the second quarter of 2015 the overall vacancy rate for the medical office properties in Bakersfield was at 9.4%, the highest rate reported in the last three years. Although the local market area is still showing some volatile market conditions for medical office properties, according to the *2015 Medical Office Outlook Report* prepared by Colliers International, despite the uncertainty regarding the full impact of the Affordable Care Act, overall tenant demand for healthcare real estate continues to increase on a national level with medical office vacancy rates at their lowest levels since the recession and are continuing to decline. This is supported by the pre-leasing activity at the subject's cancer and imaging center.

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<sup>15</sup> The Dictionary of Real Estate Appraisal, 5<sup>th</sup> ed. (Chicago: Appraisal Institute, 2010), 185.



After taking into account all market factors, as well as specifics of the subject property, as well as its design specific for a specialized cancer and imaging medical office property, a stabilized vacancy rate of 7% is considered reasonable over a typical investment holding period.

## Operating Expenses

For the purpose of estimating the subject's stabilized operating expenses, we have considered operating expenses reported by the Institute of Real Estate Management (I.R.E.M.), and expenses presented in the *PwC Real Estate Investor Survey*. This data is presented in the following table, along with our discussion and conclusions for the subject property. Only those expenses that are the responsibility of the owner, or expenses that are paid by the owner and then reimbursed by the tenant, are discussed and included in the pro forma income statement at the end of this section. For example, under triple-net leasing the tenant would pay utilities and janitorial expenses directly to the providers. Thus, these expenses are not analyzed in the income capitalization approach.

Building Type	Location	Building Area (SF)	Effective Age	Expense Year	Property Taxes	Property Insurance	Maint/Repairs	Property Mgmt
<b>Comparables</b>								
Medical office	Folsom	20,240	5 yrs	Proforma (2015)	\$2.47	\$0.27	\$0.86	\$0.74
Medical office	Northern California	70,952	20 yrs	2013	\$3.57	\$0.32	\$3.65	N/Av
Medical office	Walnut Creek	109,323	20 yrs	2013	\$2.75	\$0.30	\$4.52	\$1.31
Medical office	Bakersfield	27,263	20 yrs	2013	\$2.14	\$0.27	\$2.13	\$0.77
Medical office	Yuba City	25,850	5 yrs	2013	\$2.22	\$0.33	\$1.80	N/Av
Medical office	Carmichael	30,738	15 yrs	2011	\$1.29	\$0.13	\$1.18	\$0.55
				Min.	\$1.29	\$0.13	\$0.86	\$0.55
				Max.	\$3.57	\$0.33	\$4.52	\$1.31
				Average	\$2.41	\$0.27	\$2.36	\$0.84
<b>Institute of Real Estate Management (IREM)</b>								
Suburban Medical Offices (pg. 305)		Western U.S. (Region 9)		2014 Low:	\$1.77	\$0.20	\$1.58	\$0.54
				High:	\$4.87	\$0.83	\$3.46	\$0.87
				Median:	\$2.92	\$0.67	\$2.44	\$0.78
<b>PwC Real Estate Investor Survey</b>								
First Quarter 2015 (surveyed only once per year)								
Property Management Fees (as a % of EGI)								
		<u>Low</u>	<u>High</u>	<u>Avg</u>				
Medical Office		1.30%	5.00%	3.61%				

A discussion of each of the expense categories is presented below.

### ***Property Taxes and Direct Charges***

For property taxes, we have calculated the taxes by applying the subject's tax rate to the market value estimate via the income capitalization approach. The premise is that taxes would be reassessed upon the sale of the property. The applicable direct charges, including Special Taxes associated with the SCIP CFD 2014-01, are also accounted for.

### ***Property Insurance***

Given the specifics of the subject improvements, a property insurance expense of **\$0.30 psf/year** is concluded, which is supported by the average of the comparables and within the range indicated by IREM.

### ***Maintenance/Repairs***

Unlike the balance of the operating expenses, maintenance and repairs expenses can fluctuate significantly from year to year depending on items that require repair/replacement. While the subject has a newer effective age, the maintenance and repair expense includes grounds keeping, landscaping, structural and façade repair, security, etc., and due to the specialized medical fixtures, an expense towards the upper end of the range reported by I.R.E.M. of **\$2.75 psf/year** is concluded for the subject property. This conclusion is also supported by, albeit somewhat higher than, the average indicated by the comparables.

### ***Property Management***

Property management expenses for medical office properties typically between 1.3% and 6.0% of effective gross income. Since the subject is a large, multi-tenant building, a management expense for the subject is estimated at **3.0% of EGI**.

### ***Replacement Allowance***

A replacement reserve expense has not been estimated for the subject property since the overall capitalization rates extracted from the sales data did not include this as an expense.

## **Overall Capitalization Rate**

To provide an estimate of market value for the subject property via the direct capitalization method of the income capitalization approach, an overall rate must be derived. The overall capitalization rate is the ratio between the net operating income as of the date of value and a property's cash equivalent sales price. The overall rate is a reflection of the present value of anticipated future benefits.

In our derivation of the appropriate capitalization rate, two sources are considered: 1) market sales and 2) market surveys. These sources are discussed below.

### ***Market Sales***

During the appraiser's due diligence, it became apparent specialized medical office properties like the subject do not commonly transfer. While we attempted to locate cancer and imaging center sales similar to the subject property, there were no sales in the region comparable for consideration. Therefore, we have compiled several medical office sales with above average improvements

throughout the region that were leased at the time of sale. Information from the overall capitalization rate comparables is presented in the table below.

No.	Property Identification	Sale Date	Sale Price	Rentable Area (SF)	Overall Cap Rate	Year Built
1	La Quinta Medical Center 47647 Caleo Bay Drive La Quinta, Riverside County	Sep-14	\$25,000,000	41,603	<b>6.00%</b>	2006
2	Court Street Surgery Center 2184 Court Street Redding, Shasta County	Aug-14	\$3,550,000	5,720	<b>7.54%</b>	2001
3	Confidential (Medical Center Campus) Confidential Fresno, Fresno County	Aug-14	\$12,500,000	26,256	<b>6.07%</b>	2005
4	Pacific Medical Plaza 4910 Directors Place San Diego, San Diego County	Dec-13	\$32,550,000	50,925	<b>5.68%</b>	2009
5	Torrance Specialty Medical Center 2841 Lomita Boulevard Torrance, Los Angeles County	Nov-13	\$39,600,000	65,000	<b>5.90%</b>	2012
6	Merced Community-Based Outpatient Clini 340 E. Yosemite Avenue Merced, Merced County	Feb-11	\$3,250,000	8,620	<b>7.17%</b>	2005/2010

The market data indicates a range of market rates from 5.68% to 7.54%. The overall capitalization rate is the rate at which an investor of an income-producing property will see a return on capital used to buy a particular property/investment. Thus, the capitalization rate can reasonably be viewed as a function of risk. A high risk implies a high possibility of investment loss; a property with high risk will have a high capitalization rate causing a lower selling price or value than one with a relatively low risk factor, all else being equal.

Attributes such as location, building area, visibility/accessibility, condition, effective age and overall quality were taken into account when equating sales and rent comparables to the subject in order to determine market value. The same is true when determining a capitalization rate for the subject property. Also considered when deriving a capitalization rate for an income-producing property is deferred maintenance, security of the income stream (terms of leases and strength of tenants), general economic conditions and local market conditions.

With primary emphasis given to the three most recent transactions (sold within the last 12 months), a capitalization rate within the range of 6.00% to 7.54% is considered reasonable for the subject's cancer and imaging center. Further, given the subject's size and configuration, as well as the

specialized medical office improvements, we have concluded a capitalization rate for the subject of 6.50%.

**Market Surveys**

According to Realty Rates (Second Quarter 2015), suburban office properties indicated capitalization rates between 4.53% and 12.59% with an average of 7.79%, while medical office properties ranged from 6.03% to 13.49% with an average of 9.18%.

According to the Second Quarter 2015 *PwC Real Estate Investor Survey* the suburban office survey reported a range of 5.00% to 9.00% with an average of 6.50%, while the medical office survey reported a range of 4.75% to 10.00% with an average of 6.93 %.

The Colliers International *2015 Medical Office Outlook Report* indicated capitalization rates continue to suppress from already historically low level, but a bifurcation exists with a wide spread between cap rates for investment-grade properties and below investment-grade properties.

**Capitalization Rate Conclusion**

The following table summarizes the capitalization rates derived via the various sources:

Source	Range	Average
Comparable Sales	5.68% to 7.54%	6.39%
Selected Range (most recent transactions)	6.00% to 7.54%	6.53%
Market Surveys		
Realty Rates - Suburban Office	4.53% to 12.59%	7.79%
Realty Rates - Medical Office	6.03% to 13.49%	9.18%
PwC - Suburban Office	5.00% to 9.00%	6.50%
PwC - Medical Office	4.75% to 10.00%	6.93%

Market sales and market surveys were used to derive a capitalization rate for the cancer and imaging center. We were able to identify several recent medical office sales with above average improvements throughout the region, but comparable cancer and imaging center as specialized properties like these do not often transfer. Overall, the comparable sales information led to a somewhat dependable range of capitalization rates. The market surveys are deemed reliable and support our conclusion.

The subject property is anticipated to have a low degree of risk due to its effective age, quality and length of leases. Further, demand for space at the subject property is projected to be steady given its

highly specialized improvements. Therefore, examining the income-producing potential of the subject in comparison to other properties in the region, as well as its risk factors, an overall rate towards the bottom of the range of data appears reasonable. Based on these factors, we have concluded a capitalization rate for the subject of **6.50%**.

### **Market Value Conclusion – Income Capitalization Approach**

Applying the components discussed on the preceding pages (potential gross income, vacancy, operating expenses and overall capitalization rate), the market value conclusion of the cancer and imaging center (based on a hypothetical condition) via the direct capitalization method of the income capitalization approach is offered on the following page.

## INCOME CAPITALIZATION APPROACH

### POTENTIAL GROSS INCOME CALCULATION

Income	Rentable Area (SF)	Rent PSF/Mo.	Annual Income
<b><i>Contract Rent</i></b>			
Medical Office Space	27,440	\$2.50	\$ 823,759
High End Medical Space	35,116	\$4.29	\$ 1,806,594
<b><i>Market Rent</i></b>			
Vacant High End Medical Space	3,583	\$4.25	\$ 182,733
	66,139		\$ 2,813,086
<b><i>Additional Rent (NNN Reimbursements)</i></b>			\$ 968,590
<b>Total Potential Gross Income</b>			\$ 3,781,677
<b>VACANCY &amp; COLLECTION LOSS @ 7%</b>			\$ (264,717)
<b>EFFECTIVE GROSS INCOME</b>			\$ 3,516,960
<b>EXPENSES</b>			
	<b>\$/SF/Year</b>	<b>\$/Year</b>	<b>% of EGI</b>
Property Taxes & Direct Charges	\$6.38	\$ 421,866	12.0%
SCIP CFD 2014-01	\$5.22	\$ 345,000	9.8%
Property Insurance	\$0.30	\$ 19,842	0.6%
Maintenance/Repairs	\$2.75	\$ 181,882	5.2%
Property Management	\$1.60	\$ 105,509	3.0%
Total Expenses	\$16.24	\$ 1,074,099	30.5% \$ (1,074,099)
<b>NET OPERATING INCOME</b>			\$ 2,442,860
<b>OVERALL CAPITALIZATION RATE</b>			6.50%
<b>VALUE CONCLUSION</b>			\$ 37,582,466
<b>CONCLUSION OF VALUE BY DIRECT CAPITALIZATION</b>			<b>Rd. \$ 37,580,000</b>

## RECONCILIATION

The value conclusions indicated by the cost and income capitalization approaches to value are:

<b>Cost Approach</b>	<b>\$34,800,000</b>
<b>Income Capitalization Approach</b>	<b>\$37,580,000</b>

In reconciling the three approaches to value, consideration is given to the individual strengths and weaknesses of each approach.

### Cost Approach

In the application of this approach, we first estimated the market value of the underlying land. The land sales employed were considered reasonably similar to the subject and, overall, it is our opinion they resulted in an accurate valuation of the subject property. However, there have been limited land transactions in the subject's market area in recent periods, which somewhat weakens the reliability of the approach. The cost of the improvements was then considered utilizing the developer's figures and the Marshall Valuation Service, published by the Marshall & Swift Corporation.

The cost approach is relevant to the valuation of the subject property because the building represents new construction. The market value indicators from both approaches were within 6% of one another. Therefore, while both were considered reliable, somewhat more reliance was given to the developer's cost budget because it was detailed, and more in line with the construction cost of building such a medical office building with the specialized fixtures for operation of a cancer and imaging center. Ultimately, the cost approach is considered a relevant indicator of value for the subject property.

### Income Capitalization Approach

Buyers of income-producing real estate rely primarily upon the income capitalization approach when assessing the feasibility of an investment. This approach is highly relevant to the valuation of the subject, since it will be used as an income-producing property. The reliability of this approach is good in light of the fact that we identified several recent leases of comparable medical office properties in the region, all of which are considered to be reasonable indications of market rent. Further, the subject's existing contract leases were recently negotiated and determinate to be at market. Additionally, given the quality and quantity of data obtained in estimating market rent, vacancy, and operating expenses, the reliability of this approach is reasonable and with the subject's highly specific improvements for its users, limited capitalization rate comparables were available as properties similar to the subject do not often transfer, which somewhat lessens the reliability of this approach. Overall, the income capitalization approach is considered highly relevant to the valuation of the subject property as an income-producing asset.

## Conclusion

Due the quantity and quality of data available for the analysis, primary emphasis is given to the income capitalization approach in formulating the final opinion of market value for the subject's cancer and imaging center, with support from the cost approach. We have concluded a market value for the subject property (based on a hypothetical condition) of **\$37,580,000**.

As previously discussed, properties similar to the subject's cancer and imaging center do not commonly sell. While we attempted to locate property sales similar to the subject property, our efforts were primarily unsuccessful. However, we were able to confirm several medical office sales with above average improvements throughout the state and are summarized in the following table. Note these are the same comparable transactions utilized in the market sales analysis of capitalization rates.

No.	Property Identification	Sale Date	Sale Price	Rentable Area (SF)	Price Per SF	Year Built	Occupancy Rate	Overall Rate
1	La Quinta Medical Center 47647 Caleo Bay Drive La Quinta	Sep-14	\$25,000,000	41,603	<b>\$600.92</b>	2006	97%	6.00%
2	Court Street Surgery Center 2184 Court Street Redding	Aug-14	\$3,550,000	5,720	<b>\$620.63</b>	2001	100%	7.54%
3	Confidential (Medical Center Campus) Confidential Fresno	Aug-14	\$12,500,000	26,256	<b>\$476.08</b>	2005	100%	6.07%
4	Pacific Medical Plaza 4910 Directors Place San Diego	Dec-13	\$32,550,000	50,925	<b>\$639.18</b>	2009	100%	5.68%
5	Torrance Specialty Medical Center 2841 Lomita Boulevard Torrance	Nov-13	\$39,600,000	65,000	<b>\$609.23</b>	2012	100%	5.90%
6	Merced Community-Based Outpatient Clinic 340 E. Yosemite Avenue Merced	Feb-11	\$3,250,000	8,620	<b>\$377.03</b>	2005/2010	100%	7.17%
Comparable Summary:		Min.	\$3,250,000	5,720	<b>\$377.03</b>			
		Max.	\$39,600,000	65,000	<b>\$639.18</b>			
		Average	\$19,408,333	33,021	<b>\$553.84</b>			
		Median	\$18,750,000	33,930	<b>\$605.07</b>			

These comparables indicate a value range of \$377.03 to \$639.18 per square foot of rentable area, with the lowest indicator representing the oldest transaction. Excluding this transaction, the value range narrows to \$476.08 to \$639.18 per square foot of rentable area, with an average of \$589.21 and a median of \$605.07.

The reconciled market value of the subject's cancer and imaging center was \$37,580,000, or approximately \$568.20 per square foot of rentable area, which is further supported by the sales above.



## VACANT LAND COMPONENTS

### **SALES COMPARISON APPROACH**

In the sales comparison approach, the market value of the fee simple interest in the undeveloped land component of the District will be estimated by a comparison to similar properties that have recently sold, are listed for sale or are under contract. The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace.

This approach is based on the economic principle of substitution. According to *The Appraisal of Real Estate, 14th Edition* (Chicago: Appraisal Institute, 2013), “The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time.” The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining sale data for comparison with the subject. In order to assemble the comparable sales, we searched public records and other data sources for leads, including our internal database, Costar Property and LoopNet (for closed sales and active listings), then confirmed the raw data obtained with parties directly related to, or familiar with, the transactions (primarily brokers, buyers and sellers). We also confirmed the sale information with public records.

On the following pages, we will present and analyze several comparable land sales for each component of the subject’s undeveloped land (medical office, retail and transitional). We will begin by presenting a summary tabulation and location map, followed by detailed sales sheets, a discussion of necessary adjustments, and a conclusion of market value via this approach. These sales are the most recent transactions considered reasonably similar to the subject property.

## Medical Office Land Valuation

In addition to the cancer and imaging center, the Rio Brave Medical Campus includes three medical office parcels ranging in size from 2.65 and 3.11 acres. This parcels are zoned C-O and are planned for future medical office buildings to be developed as demand warrants. Although these parcels are slightly smaller than the cancer and imaging center site (4.48 acres), a market value estimate **\$15.00 per square foot** is considered reasonable for these parcels as well. Please refer to the Land Valuation section of the Cost Approach for the valuation of the cancer and imaging center for details on the office land comparables utilized, as well as a discussion of the necessary adjustments.

## Retail Land Valuation

The 16.07± acre retail component is described as being best suited for a neighborhood shopping center, defined as an eight to ten acre shopping center designed to meet the needs of the residences in the immediate one- to three-mile radius that offers a grocery store, a drug store and other neighborhood conveniences.

We will begin by presenting a summary tabulation and location map, followed detailed sales sheets and a discussion of adjustments necessary for comparison with the subject property. These sales are the most recent transactions considered reasonably similar to the subject.

### COMPARABLE RETAIL LAND SALES SUMMARY

No.	Property Identification	Sale Date	Sale Price	Land Area (Acre / SF)	Price per SF	PV Bonds per Sf	Total Price per SF	Zoning / Land Use
1	1005 Pescadero Road Tracy, San Joaquin County APN: 213-060-43	Jul-15 (pending)	\$7,853,868	18.03 <u>785,387</u>	\$10.00	\$0.29	<b>\$10.29</b>	PUD
2	8210 Civic Center Drive Elk Grove, Sacramento County APN: 132-2120-010	Feb-15	\$3,425,000	9.56 <u>416,434</u>	\$8.22	\$1.69	<b>\$9.91</b>	SC
3	3425 Reed Avenue West Sacramento, Yolo County APN: 014-680-012	Aug-14	\$2,650,000	8.18 <u>356,321</u>	\$7.44	\$0.00	<b>\$7.44</b>	BP/C-2/ML/PO
4	SEC Herndon and Coventry Avenues Clovis, Fresno County APN: 553-020-70 thorough -73	Jun-13	\$3,033,500	6.19 <u>269,636</u>	\$11.25	\$0.00	<b>\$11.25</b>	CP
5	N. Thornton Road and Highway 12 Lodi, San Joaquin County APN: 025-190-32, -33 & -34	Apr-13	\$2,800,000	11.68 <u>508,781</u>	\$5.50	\$0.00	<b>\$5.50</b>	C-FS
6	SEC Belmont Avenue & Highway 33 Mendota, Fresno County APN: 019-061-58S	Listing	\$4,669,000	13.47 <u>586,753</u>	\$7.96	\$0.00	<b>\$7.96</b>	General Neighborhood Commercial
	Subject Property South of Hughway 178, West of Morning Drive Bakersfield APN: 434-010-67 & a portion on -65	Jul-15 (appraisal)	-	16.07 <u>700,009</u>	-	-	-	C-2/PCD

# COMPARABLE RETAIL LAND SALES MAP



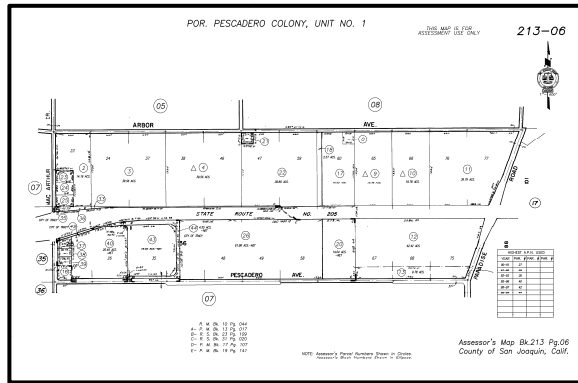
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## RETAIL LAND SALE 1

### Property Identification

1005 Pescadero Road  
Tracy, CA 95304  
San Joaquin County

APN: 213-060-43



### Sale Data

Grantor	Gary L. Patterson
Grantee	Confidential (pending)
Sale Date	N/Av (pending)
Deed Book Page	N/Av (pending)
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$ 7,853,868 (asking price)
PV of Bonds	<u>\$ 228,086</u>
Total Consideration	\$ 8,081,954

### Land Data

Land Area (SF)	785,387
Land Area (Acres)	18.03
Zoning	PUD
Shape	Nearly rectangular
Corner Orientation	No
Street Frontage	Interstate 205 and Pescadero Road
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

### Indicators

Sale Price per SF	\$ 10.00
PV Bonds per SF	<u>\$ 0.29</u>
Total Consideration per SF	\$ 10.29

### Remarks

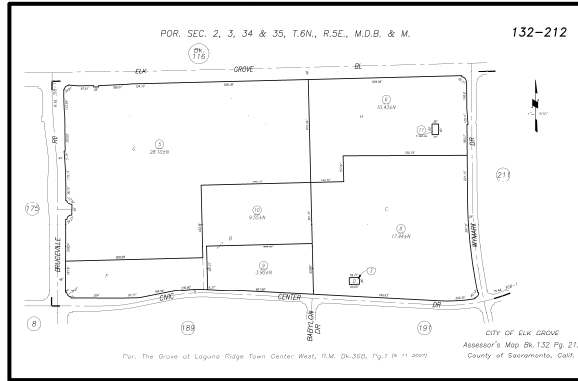
This comparable consists of an 18.03 acre retail/commercial parcel contiguous to the 153,000 square foot Tracy Outlets, fronting Interstate 205. This site is ideal for small to large retail anchor or big box tenants. Development fees (typically \$12.50+ psf) were prepaid during construction of the original, adjacent centers development; therefore, nominal retail development fees (estimated at \$0.50± psf) are required at development, a tremendous savings over any other comparable parcels in the market area.

## RETAIL LAND SALE 2

### Property Identification

8210 Civic Center Drive  
Elk Grove, CA 95757  
Sacramento County

APN: 132-2120-010



### Sale Data

Grantor	JJV II, LLC
Grantee	Rep Blue Oaks, Inc.
Sale Date	February 3, 2015
Deed Book Page	150205-664
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$ 3,425,000
PV of Bonds	<u>\$ 702,451</u>
Total Consideration	\$ 4,127,451

### Land Data

Land Area (SF)	416,434
Land Area (Acres)	9.56
Zoning	SC, Shopping Center
Shape	Irregular
Corner Orientation	Yes
Street Frontage	Civic Center Drive and Bruceville Road
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

### Indicators

Sale Price per SF	\$ 8.22
PV Bonds per SF	<u>\$ 1.69</u>
Total Consideration per SF	\$ 9.91

### Remarks

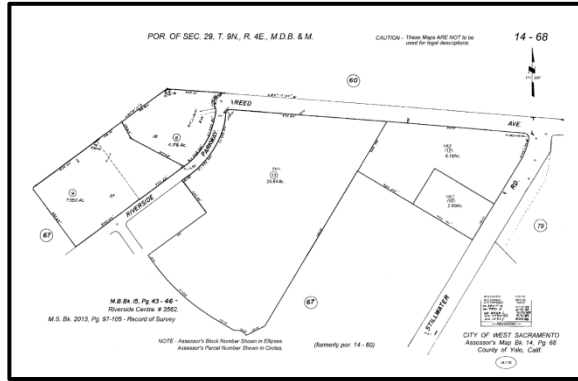
While the total size of the site is 9.56 acres, the property is proposed for subdivision into six lots to create better utility of the site given its irregular shape. The lots are proposed to into five lots along the north side of Civic Center Drive ranging from 0.67 to 1.05 acres, with the balance of the site, 5.6 acres, on larger parcel just west of the Dignity Health Medial Plaza. Reportedly, the buyer owned the adjacent parcel and acquired this property to build a new retail center. It is unknown at this time when construction of this time will commence or the size of the development planned.

## RETAIL LAND SALE 3

### Property Identification

3425 Reed Avenue  
West Sacramento, CA 95605  
Yolo County

APN: 014-680-012



### Sale Data

Grantor	West Sacramento Development, LLC
Grantee	Nihal Development, LLC
Sale Date	August 13, 2014
Deed Book Page	018155
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$ 2,650,000
PV of Bonds	\$ <u>0</u>
Total Consideration	\$ 2,650,000

### Land Data

Land Area (SF)	356,321
Land Area (Acres)	8.18
Zoning	BP/C-2/ML/PO, Business Professional, General Commercial, Limited Manufacturing, Professional Office
Shape	Irregular
Corner Orientation	Yes
Street Frontage	Reed Avenue and Stillwater Road
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

### Indicators

Sale Price per SF	\$ 7.44
PV Bonds per SF	\$ <u>0.00</u>
Total Consideration per SF	\$ 7.44

### Remarks

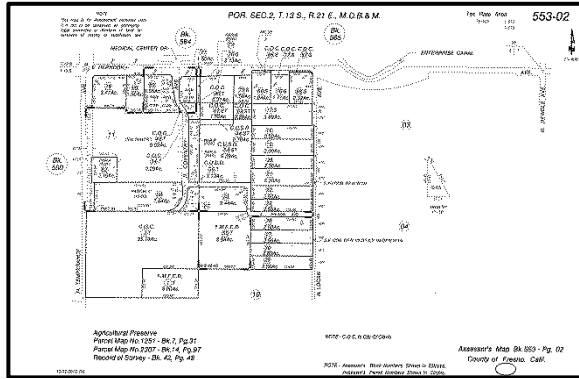
The listing broker indicated that this parcel was likely going to be developed with at least one motel, in addition to other retail. The buyer put 40% down and the seller carried back a note for 18 months, interest only; however, the terms of the note were reportedly at market and the agent indicated that this arrangement did not affect the sales price.

## RETAIL LAND SALE 4

### Property Identification

SEC Herndon & Coventry Avenues  
Clovis, CA 93611  
Fresno County

APN: 553-020-70 through -73



### Sale Data

Grantor	Cook Family Trust
Grantee	Fresno Community Hospital and Medical Center
Sale Date	June 17, 2013
Deed Book Page	145225
Property Rights	Fee Simple
Conditions of Sale	Below Market
Financing Terms	Cash Equivalent
Sale Price	\$ 3,033,500
PV of Bonds	\$ <u>0</u>
Total Consideration	\$ 3,033,500

### Land Data

Land Area (SF)	269,636
Land Area (Acres)	6.19
Zoning	CP, Administrative and Professional Office District
Shape	Rectangular
Corner Orientation	Yes
Street Frontage	Herndon and Coventry Avenues
Topography	Generally level
Off-Site Improvements	Partial
On-Site Improvements	None

### Indicators

Sale Price per SF	\$ 11.25
PV of Bonds per SF	\$ <u>0.00</u>
Total Consideration per SF	\$ 11.25

### Remarks

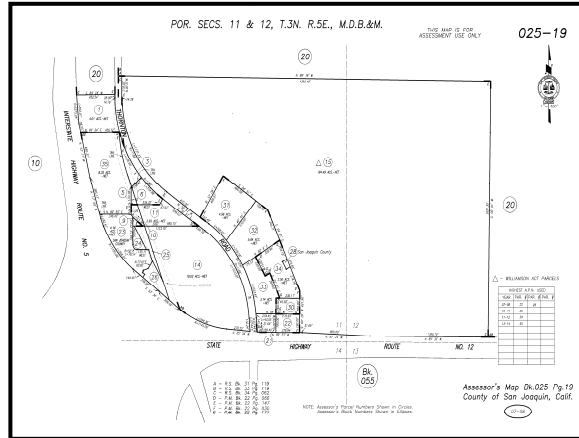
The listing broker for this property, who is also the seller, indicated that the buyer paid all realtor commissions, which is atypical (usually the seller pays commissions). The purchase price was effectively lowered by the amount of the commission (reported at 6% of the price) to account for this atypical situation. As such, the comparable is adjusted upward for conditions of sale. The property has utilities and streets, but no curbs, gutters or sidewalks. The site is located across the street from Clovis Community Medical Center, which is the largest employer in Clovis.

## RETAIL LAND SALE 5

### Property Identification

N. Thornton Road and Highway 12  
Lodi, CA 95242  
San Joaquin County

APN: 025-190-32, -33, -34



### Sale Data

Grantor	Highway 12 Investors LLC
Grantee	Loves Country Stores of CA
Sale Date	04/17/2013
Deed Book Page	53927
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$ 2,800,000
PV of Bonds	\$ <u>0</u>
Total Consideration	\$ 2,800,000

### Land Data

Land Area (SF)	508,781
Land Area (Acres)	11.68
Zoning	C-FS, Freeway Service Commercial
Shape	Irregular
Corner Orientation	No
Street Frontage	North Thornton Road
Topography	Generally level
Off-Site Improvements	Partial
On-Site Improvements	None

### Indicators

Sale Price per SF	\$ 5.50
PV of Bonds per SF	\$ <u>0.00</u>
Total Consideration per SF	\$ 5.50

### Remarks

This property is located along the east line of North Thornton Road, just north of Highway 12 and just east of Interstate 5. The property was reportedly purchased by Loves Country Stores for the development of a travel center. While the larger area surrounding the property is primarily agricultural land, the immediate area surrounding the intersection of Interstate 5 and Highway 12 contains a mix of retail development serving Interstate 5 travelers (gas stations, hotels, convenience stores, fast food restaurants, etc.).

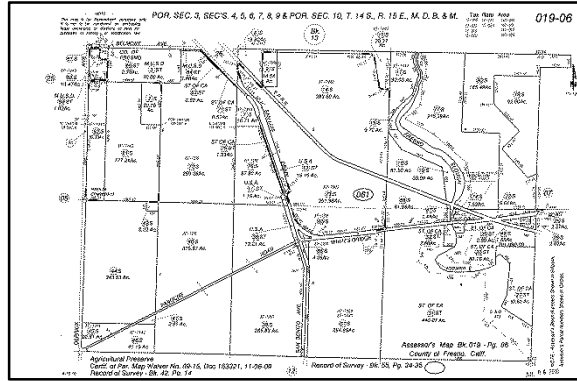


## RETAIL LAND SALE 6

### Property Identification

SEC Belmont Avenue & Highway  
33  
Mendota, CA 93640  
Fresno County

APN: 019-061-58S



### Sale Data

Grantor	John & Veronica Coelho/Joseph Jr. & Bonnie Coelho
Grantee	N/Ap (Listing)
Sale Date	N/Ap (Listing)
Deed Book Page	N/Ap (Listing)
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$ 4,669,000
PV of Bonds	\$ <u>0</u>
Total Consideration	\$ 4,669,000

### Land Data

Land Area (SF)	586,753
Land Area (Acres)	13.47
Zoning	General Neighborhood Commercial
Shape	Irregular
Corner Orientation	Yes
Street Frontage	Belmont Avenue and Highway 33
Topography	Generally level
Off-Site Improvements	Partial
On-Site Improvements	None

### Indicators

Sale Price per SF	\$ 7.96
PV Bonds per SF	\$ <u>0.00</u>
Total Consideration per SF	\$ 7.96

### Remarks

This comparable consists of a 13.4 acre parcel for sale just north of the new Federal prison (currently under construction, to house long term Federal prisoners). This 13.4 acre parcel is part of a larger proposed 700 acre planned community that will surround this corner and educational facilities. Highway 180 is proposing a new interchange that will cut through this planned community with exit ramps south of this parcel. This property has been marketed for sale for over 3.5 years.

## *Discussion of Adjustments*

Similar to the vacant office land comparables in the *Cost Approach* section of the cancer and imaging center valuation, the comparable retail land transactions are adjusted based on the profile of the subject's retail land with regard to categories that affect market value. A discussion involving each of these factors is presented as follows:

### Present Value of Bonds

Bond debt has a direct impact on the amount for which the end product will sell. In an effort to account for the impact of bond indebtedness on the sales price, we establish a present value amount for the bond encumbrance based on the annual assessment. The present value amount is based on the annual assessment payment, an interest rate of 6.0% and the remaining term from the date of sale. None of the land comparables are encumbered by bonds; thus, the present value of the bonds is not necessary in this analysis.

### Property Rights Conveyed

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

### Financing Terms

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

### Conditions of Sale

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

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

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

Most of the comparable transactions were arms-length and do not require a conditions of sale adjustment. However, as discussed in the sale summary, Comparable 1 is a pending sale, to which the contract sales price is confidential. A downward adjustment is warranted for this comparable due to typical buyer negotiations. Additionally, the buyer of Comparable 4 paid all realtor commissions, which is atypical and effectively lowered the purchase price. As such, this comparable is adjusted upward for conditions of sale. Additionally, Comparable 6 is a current listing and a downward adjustment is applied to this transaction due to typical buyer negotiations (the property has been listed for sale for 3.5 years).

#### Expenditures After Sale

This category includes all costs required after the transaction. No adjustments are required for this element of comparison.

#### Market Conditions

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

In evaluating market conditions, changes between the comparable sales date and the effective date of this appraisal may warrant adjustment; however, if market conditions have not changed, then no adjustment is required. After a prolonged period of decline from 2007 through 2011, the commercial real estate market has shown signs of stabilization and improvement within the past two years. Comparables 4 and 5, which transferred in 2013, are adjusted upward to account for the improvement in market conditions since the dates of these transactions.

## Physical Characteristics

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

### *Location*

The subject property is considered to possess an average location for retail development, with proximity to single-family residential development to the south and west, as well as proposed residential development to the west. The comparables are located in market areas throughout the region. Comparables 2 and 3 are located in the Sacramento MSA, which is considered to be a superior location in comparison to the subject's Bakersfield MSA, warranting downward adjustments. Additionally, Comparable 1 is located in a heavy commercial area, with proximity to the Bay Area, and a downward adjustment is applied to this comparable sale as well. Conversely, Comparables 5 and 6 have inferior locational attributes (i.e., demographics, growth rates, surrounding uses and property values, etc.) and receive upward adjustments.

### *Visibility/Accessibility*

The visibility and accessibility of a property can have a direct impact on property value. For example, if a property is landlocked, this is considered to be an inferior position compared to a property with open accessibility. However, if a property has good visibility or is proximate to major linkages, this is considered to be a superior amenity in comparison to a property with limited visibility.

The subject property has visibility along State Highway 178. Upon completion of the Morning Drive interchange, which is anticipated this summer (late-August 2015), the subject's retail land will be easily accessible as well. Overall, the subject has average visibility/accessibility. Most of the sales do not warrant adjustment for visibility/accessibility. However, Comparable 1 has visibility/accessibility from a major regional freeway (Interstate 205). Since this freeway observes significantly higher traffic counts than State Highway 178, Comparable 1 is adjusted downward for its superior visibility/accessibility.

### *Land Area*

The market generally exhibits an inverse relationship between parcel area and price per square foot such that larger parcels sell for a lower price per square foot than smaller parcels, all else being equal. For purposes of analysis, comparables with significantly larger parcel sizes than the subject

are adjusted upward, while comparables with significantly smaller parcel sizes are adjusted downward.

#### *Off-Site Improvements*

All off-site improvements are in place for the subject and most of the comparable transactions. Comparables 5 and 6, however, had partial off-site work completed when these properties transferred and receive slight upward adjustments.

#### *On-Site Improvements*

The subject property has no on-site improvements, nor do any of the comparables; thus, no adjustments are warranted.

#### *Site Utility*

Differences in shape, topography, drainage or soil conditions can affect the utility and, therefore, the market value of undeveloped land. The subject and comparables offer average overall site utility; thus, no adjustments are applied for this factor.

#### *Zoning/Entitlements*

Similar to the subject property, all of the sales have zoning permitting a variety of commercial development (primarily retail in nature); however, as discussed in the sale summary, a significant amount of the development fees for Comparable 1 were prepaid and a downward adjustment is required. No other adjustments are applied.

#### ***Conclusion of Value – Retail Land***

Several land sales were analyzed for comparison to the subject's retail land area. The market data analyzed herein reflects a range in value of \$5.50 to \$11.25 per square foot of land area. Overall, no one comparable is deemed to provide the best indicator of market value. The following grid arrays the comparables as they relate to the subject, suggesting where the subject's land value should fall in comparison.

Indicator	Total Price per SF (inclusive of bonds)	Overall the comparable is deemed... to the subject property	Market Conditions	Location	Visibility/ Accessibility	Land Area (Acres)	Off-Site Improvements	On-Site Improvements	Site Utility	Zoning/ Entitlements
Comparable 4	\$11.25	Superior	↑ Jun-13	↔ Similar	↔ Similar	↓↓↓ 6.19	↔ Similar	↔ Similar	↔ Similar	↔ CP
Comparable 1	\$10.00	Superior	↔ Jul-15	↓↓ Superior	↓↓ Superior	↔ 18.03	↔ Similar	↔ Similar	↔ Similar	↓↓ PUD
Comparable 2	\$9.91	Superior	↔ Feb-15	↓↓ Superior	↔ Similar	↓↓ 9.56	↔ Similar	↔ Similar	↔ Similar	↔ SC
Comparable 3	\$7.44	Superior	↔ Aug-14	↓ Sl. Superior	↔ Similar	↓↓ 8.18	↔ Similar	↔ Similar	↔ Similar	↔ BP/C-2/ML/PO
Comparable 6	\$7.96	Similar	↓↓↓ Listing	↑↑↑ Sig. Inferior	↔ Similar	↓ 13.47	↑ Sl. Inferior	↔ Similar	↔ Similar	↔ Gen. Comm.
<b>SUBJECT</b>			Feb-15	Average	Average	16.07	All to site	None	Average	C-2/PCD
Comparable 5	\$5.50	Inferior	↑ Apr-13	↑↑ Inferior	↔ Similar	↓ 11.68	↑ Sl. Inferior	↔ Similar	↔ Similar	↔ C-FS

Note: "↓" symbol connotes a "Superior" element of comparison to the subject property warranting a downward adjustment, "↑" symbol connotes an "Inferior" element of comparison warranting an upward adjustment, and "↔" symbol connotes "Similar" warranting no adjustment

Based on the preceding discussion, and considering the specifics of the subject property, a conclusion of land value for the subject's retail land area of **\$6.50 per square foot** is estimated, which is supported by the comparable sales. Applying this unit indicator to the retail land area results in the following estimate of land value via the sales comparison approach:

$$16.07 \text{ acres} \times 43,560 \text{ square feet} \times \$6.50 \text{ per square foot} = \$4,550,059$$

**Rd. \$4,550,000**

### Transitional Land Valuation

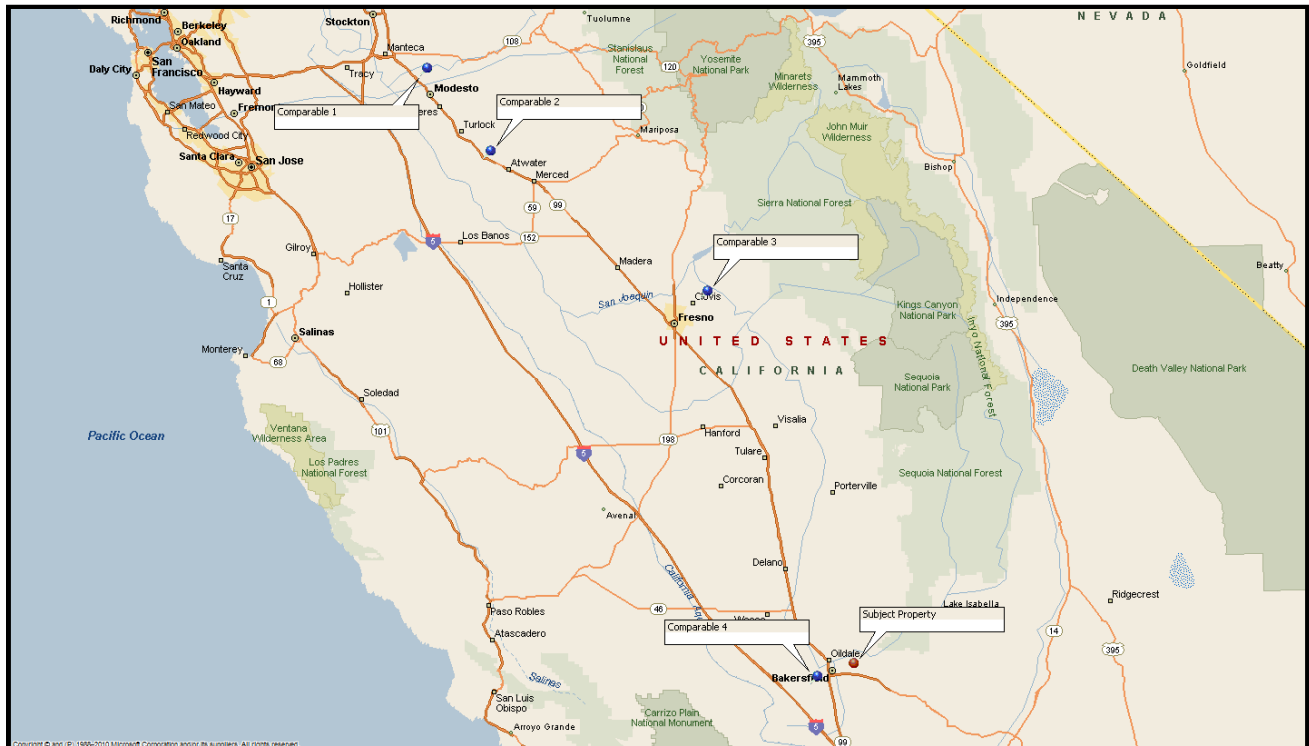
As previously discussed, the owner intends on rezoning the 17.13± acre residential (transitional) land site for office use to develop an acute care rehabilitation hospital, as well as additional medical office and ancillary medical uses; thus, we have analyzed several similar transitional land sales throughout the region.

We will begin by presenting a summary tabulation and location map, followed detailed sales sheets and a discussion of adjustments necessary for comparison with the subject property. These sales are the most recent transactions considered reasonably similar to the subject.

## COMPARABLE TRANSITIONAL LAND SALES SUMMARY

Sale No.	Location	Sale Date	Sale Price	Land Area (Acre/SF)	Price per SF	PV Bonds per Sf	Total Price per SF	Zoning / Land Use
1	Dale Road & Kiernan Avenue Modesto, Stanislaus County APN: 078-069-010, -011 & -012	Jul-15 (pending)	\$2,950,000	<u>22.19</u> 966,596	\$3.05	\$0.25	<b>\$3.30</b>	BP
2	Winton Parkway & B Street Livingston, Merced County APN: 022-010-017 & -019	Sep-14	\$1,500,000	<u>16.00</u> 696,960	\$2.15	\$0.00	<b>\$2.15</b>	CC
3	SEC Herndon & Coventry Avenues Clovis, Fresno County APN: 553-020-70 through -73	Jun-13	\$3,033,500	<u>6.19</u> 269,636	\$11.25	\$0.00	<b>\$11.25</b>	CP
4	4501 Buena Vista Road Bakersfield, Kern County APN: Parcel F (portion of 524-050-78)	Listing	\$1,731,940	<u>2.84</u> 123,710	\$14.00	\$0.00	<b>\$14.00</b>	WM-CO
Subject Property								
	South of Highway 178, West of Morning Drive Bakersfield, Kern County APN: 434-010-50 & a portion on -65	Jul-15 (appraisal)	-	<u>17.13</u> 746,183	-	-	-	Rezone Med. Office

## COMPARABLE TRANSITIONAL LAND SALES MAP

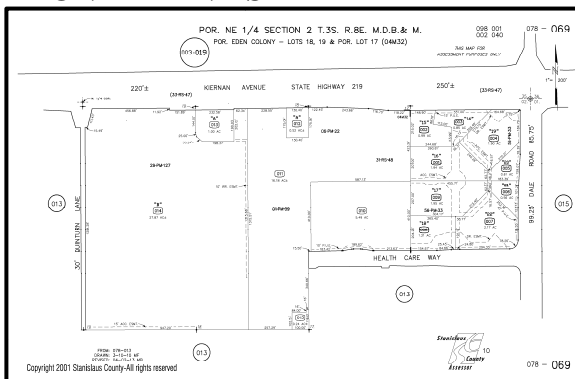


## TRANSITIONAL LAND SALE 1

### Property Identification

Dale Road & Kiernan Avenue  
 Modesto, CA 95356  
 Stanislaus County

APN: 078-069-010, -011 & -012



### Sale Data

Grantor	Westamerica Bank
Grantee	Confidential (pending)
Sale Date	N/Av (pending)
Deed Book Page	N/Av (pending)
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$ 2,950,000 (asking)
PV of Bonds	<u>\$ 243,913</u>
Total Consideration	\$ 3,193,913

### Land Data

Land Area (SF)	966,596
Land Area (Acres)	22.19
Zoning	BP, Business Professional
Shape	Generally rectangular
Corner Orientation	No
Street Frontage	Health Care Way and Kiernan Avenue
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

### Indicators

Sale Price per SF	\$3.05
PV Bonds per SF	<u>\$0.25</u>
Total Consideration per SF	\$3.30

### Remarks

The comparable represents the pending sale of The Bridges Business Park (Phase I) in Modesto. This property consists of three contiguous parcels totaling 22.19± acres of land area just north/northwest of the Kaiser Permanente hospital, west of Dale Road and south of Kiernan Avenue. Reportedly, there was a tentative map approved for The Bridges Business Park (Phase I) to encompass 13 parcels ranging from 1.3 to 2.0 acres with private driveways for access; however, marketing information indicated this approval was to expire in April 2015. The property is annexed to CFD-2007-2. The one-time fee and annual maintenance fee. Attempts were made by the appraiser to verify the contract purchase price; however, our efforts went unanswered.

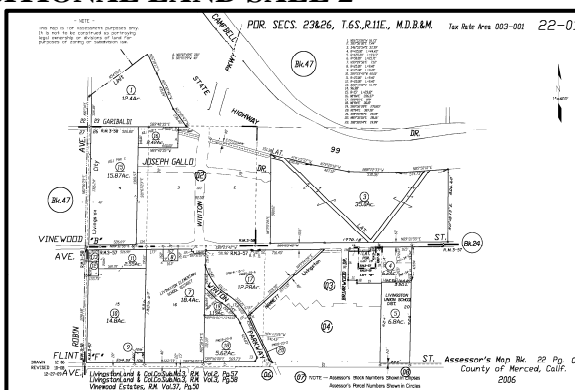


## TRANSITIONAL LAND SALE 2

### Property Identification

Winton Parkway & B Street  
Livingston, CA 95334  
Merced County

APN: 022-010-017 & -019



### Sale Data

Grantor	Craig Lighty Trust
Grantee	W&B Spycher Properties, LP
Sale Date	09/19/2014
Deed Book Page	29039
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$ 1,500,000
PV of Bonds	<u>\$ 0</u>
Total Consideration	\$ 1,500,000

### Land Data

Land Area (SF)	696,960
Land Area (Acres)	16.00
Zoning	C-2, Community Commercial
Shape	Irregular
Corner Orientation	Yes
Street Frontage	Winton Parkway and B Street
Topography	Generally level
Off-Site Improvements	Partial
On-Site Improvements	None

### Indicators

Sale Price per SF	\$2.15
PV Bonds per SF	<u>\$0.00</u>
Total Consideration per SF	\$2.15

### Remarks

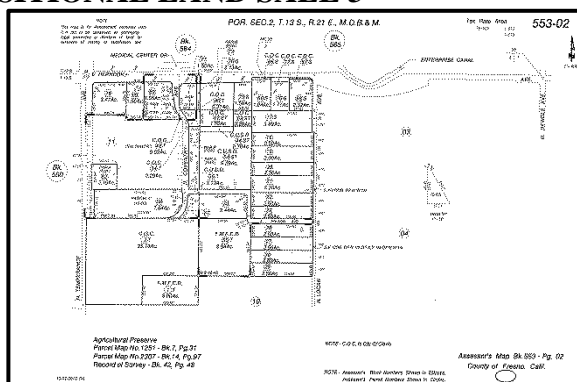
This comparable represents the sale of 16.00 acres of land located south of B Street along Winton Parkway in Livingston. This property is bisected by Winton Parkway, split into two pieces of about 12.28 and 1.19 acres of land area each, somewhat inhibiting the site utility of the property.

## TRANSITIONAL LAND SALE 3

### Property Identification

SEC Herndon & Coventry Avenues  
Clovis, CA 93611  
Fresno County

APN: 553-020-70 through -73



### Sale Data

Grantor	Cook Family Trust
Grantee	Fresno Community Hospital and Medical Center
Sale Date	June 17, 2013
Deed Book Page	145225
Property Rights	Fee Simple
Conditions of Sale	Below Market
Financing Terms	Cash Equivalent
Sale Price	\$ 3,033,500
PV of Bonds	\$ <u>0</u>
Total Consideration	\$ 3,033,500

### Land Data

Land Area (SF)	269,636
Land Area (Acres)	6.19
Zoning	CP, Administrative and Professional Office District
Shape	Rectangular
Corner Orientation	Yes
Street Frontage	Herndon and Coventry Avenues
Topography	Generally level
Off-Site Improvements	Partial
On-Site Improvements	None

### Indicators

Sale Price per SF	\$ 11.25
PV of Bonds per SF	\$ <u>0.00</u>
Total Consideration per SF	\$ 11.25

### Remarks

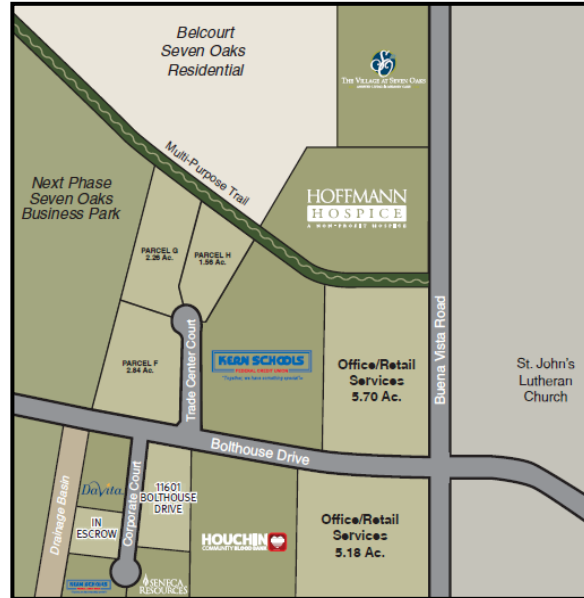
The listing broker for this property, who is also the seller, indicated that the buyer paid all realtor commissions, which is atypical (usually the seller pays commissions). The purchase price was effectively lowered by the amount of the commission (reported at 6% of the price) to account for this atypical situation. As such, the comparable is adjusted upward for conditions of sale. The property has utilities and streets, but no curbs, gutters or sidewalks. The site is located across the street from Clovis Community Medical Center, which is the largest employer in Clovis.

## TRANSITIONAL LAND SALE 4

### Property Identification

4501 Buena Vista Road  
Bakersfield, CA 93311  
Kern County

APN: 524-050-78 (portion of), or  
Parcel F



### Sale Data

Grantor	Bolthouse Development Co., LLC
Grantee	N/Av (listing)
Sale Date	N/Av (listing)
Deed Book Page	N/Av (listing)
Property Rights	Fee Simple
Conditions of Sale	Market
Financing Terms	Cash Equivalent
Sale Price	\$ 1,731,940
PV of Bonds	\$ 0
Total Consideration	\$ 1,731,940

### Land Data

Land Area (SF)	123,710
Land Area (Acres)	2.84
Zoning	WM-CO, West Ming Specific Plan – Professional and Administrative Office Zone
Shape	Generally rectangular
Corner Orientation	Yes
Street Frontage	Bolthouse Drive and Trade Center Court
Topography	Generally level
Off-Site Improvements	All to site
On-Site Improvements	None

### Indicators

Sale Price per SF	\$ 14.00
PV Bonds per SF	\$ 0.00
Total Consideration per SF	\$ 14.00

## TRANSITIONAL LAND SALE 4 (continued)

### Remarks

This comparable represents a current listing of Lot F within the Seven Oaks Business Park, a 276 acres mixed-use commercial development that can accommodate from one acre parcels up to 50 contiguous acres for sale or build-to-suit in a master planned development. Phase 1 currently has parcels available ranging from 1.5 acres to 6.67 acres with prices ranging from \$12.50 to \$14.00 per square foot of land area. Phase II (coming soon) will offer parcels from as small as 1.1 acres to as large of 47 acres. Existing development in the park include Houchin Community Blood Bank (headquarters and blood bank), Kern Schools Federal Credit Union Headquarters, and Seneca Resources Western U.S. Headquarters, while development currently under construction include DaVita Dialysis, Village at Seven Oaks Assisted Living and Memory Care, Hoffman Hospice (in-patient hospice facility), and a two-story, 27,000 square foot professional office for lease.

## *Discussion of Adjustments*

### Present Value of Bonds

Bond debt has a direct impact on the amount for which the end product will sell. In an effort to account for the impact of bond indebtedness on the sales price, we establish a present value amount for the bond encumbrance based on the annual assessment. The present value amount is based on the annual assessment payment, an interest rate of 6.0% and the remaining term from the date of sale.

### Property Rights Conveyed

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

### Financing Terms

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

### Conditions of Sale

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

### Expenditures After Sale

This category includes all costs required after the transaction. No adjustments are required for this element of comparison.

## Market Conditions

The comparables transferred between June 2013 and July 2015. Based on the limited need for residential in the immediate area, as the vacant land to the east of the subject is planned for future residential development. Further, due to the transitional nature of the subject's residential land area, no adjustment for market conditions is warranted.

## Physical Characteristics

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

### *Location*

The subject property is considered to possess an average location, with proximity to single-family residential development to the south and west, as well as proposed residential development to the west. The comparables are located in transitional market areas throughout the state. Comparable 3 is located in larger MSA's than the subject and receives a downward adjustment. Comparables 1 and 2, however, have inferior locational attributes (i.e., demographics, growth rates, surrounding uses and property values, etc.) and receive upward adjustments while Comparable 4 has a similar location as the subject and no adjustment for location is warranted.

### *Visibility/Accessibility*

The visibility and accessibility of a property can have a direct impact on property value. For example, if a property is landlocked, this is considered to be an inferior position compared to a property with open accessibility. However, if a property has good visibility or is proximate to major linkages, this is considered to be a superior amenity in comparison to a property with limited visibility.

The subject property has average visibility/accessibility. All of the sales have similar visibility/accessibility; thus, no adjustments are applied to the comparable sales.

### *Land Area*

The market generally exhibits an inverse relationship between parcel area and price per square foot such that larger parcels sell for a lower price per square foot than smaller parcels, all else being equal. Comparables 3 and 4 represent appreciably smaller properties and are adjusted downward. No other adjustment for land area is warranted.

### Off-Site Improvements

All off-site improvements are in place for the subject, as well as Comparables 1 and 4. The balance of the data set (Comparables 2 and 3) had only partial off-site work completed at the time of sale and receive slight upward adjustments.

### Site Utility

Differences in shape, topography, drainage or soil conditions can affect the utility and, therefore, the market value of undeveloped land. The subject and most of the comparables offer average overall site utility; however, Comparable 2 is adjusted upward due it its land area being split by Winton Parkway into two pieces of about 12.28 and 1.19 acres of land area.

### Zoning/Entitlements

The highest and best use of the subject’s residential (transitional) land component, as discussed in the *Highest and Best Use* section of this report, is to rezone this land to a land use that permits supportive medical office use. Because of the required rezoning of the subject property, all of the comparables sales are adjusted downward as they sold already zoned for their respective highest and best uses.

### Conclusion of Value – Transitional Land

Several land sales were analyzed for comparison to the subject’s transitional land area. The market data analyzed herein reflects a range in value of \$2.15 to \$14.00 per square foot of land area (inclusive of bonds). Overall, all of the comparable required a significant amount of adjustment and no one comparable is deemed to provide the best indicator of market value. The following grid arrays the comparables as they relate to the subject, suggesting where the subject’s land value should fall in comparison.

Indicator	Total Price per SF (inclusive of bonds)	Overall the comparable is deemed... to the subject property	Market Conditions	Location	Visibility/ Accessibility	Land Area (Acres)	Off-Site Improvements	Site Utility	Zoning/ Entitlements
Comparable 4	\$14.00	Sig. Superior	↓↓ Listing	↔ Similar	↔ Similar	↓↓↓ 2.84	↔ Similar	↔ Similar	↓↓ WM-CO
Comparable 3	\$11.25	Sig. Superior	↔ Jun-13	↓↓ Superior	↔ Similar	↓↓↓ 6.19	↑ Partial	↔ Similar	↓↓ CP
<b>SUBJECT</b>			Jul-15	Average	Average	17.13	All to site	Average	Rezone
Comparable 1	\$3.30	Similar	↓ Pending	↑↑ Inferior	↔ Similar	↔ 22.19	↔ Similar	↔ Similar	↓↓ BP
Comparable 2	\$2.15	Inferior	↔ Sep-14	↑↑↑ Sig. Inferior	↔ Similar	↔ 16.00	↑ Partial	↑↑ Inferior	↓↓ CC

Note: "↓" symbol connotes a "Superior" element of comparison to the subject property warranting a downward adjustment, "↑" symbol connotes an "Inferior" element of comparison warranting an upward adjustment, and "↔" symbol connotes "Similar" warranting no adjustment

Based on the preceding discussion, and considering the specifics of the subject property, a conclusion of land value for the subject’s transitional land area at the lower end of the range of **\$4.00 per square foot** is estimated. Applying this unit indicator to the residential (transitional) land area results in the following estimate of land value via the sales comparison approach:

$$17.13 \text{ acres} \times 43,560 \text{ square feet} \times \$4.00 \text{ per square foot} = \$2,984,732$$

**Rd. \$2,980,000**

**Summary of Conclusions – Vacant Land Components**

In this section we have estimated the market value of each land component that comprises the subject property (medical office, retail and transitional). The following table summarized the market value estimated for each component:

<b>As-Is Market Values, by Land Component</b>				
<b><u>Component</u></b>	<b><u>Land Area (SF)</u></b>	<b><u>Property Rights</u></b>	<b><u>Date of Value</u></b>	<b><u>Conclusion (Rd.)</u></b>
Medical Office Land	380,714	Fee Simple	July 15, 2015	<b>\$5,710,000</b>
Retail Land	700,009	Fee Simple	July 15, 2015	<b>\$4,550,000</b>
Transitional Land	746,183	Fee Simple	July 15, 2015	<b>\$2,980,000</b>



## **BULK MARKET VALUE**

We have been requested to provide the market value of the District (in bulk), subject to the hypothetical condition, which assumes all public facilities (Morning Drive extension, sewer, storm drain, and water) are in place and available for use, and will be financed by the California Statewide Communities Development Authority SCIP Community Facilities District Bonds. In addition, the estimate of value assumes the proposed cancer and imaging center improvements have been completed. Therefore, the best way to derive this value in bulk is to employ the discounted cash flow method to value.

### **Discounted Cash Flow Analysis**

The four main components of a discounted cash flow analysis are listed as follows:

- **Revenue** – the total gross income derived from the disposition of the subject components.
- **Absorption Analysis** – the time frame required to sell-off the components. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).
- **Expenses** – the expenses associated with the sell-off of the components are calculated in this section – including administration, marketing and commission costs and property taxes.
- **Discount Rate** – the appropriate discount rate is derived by employing a variety of data.

### ***Revenue***

The revenue portion of this analysis is based on the conclusions of market value of the subject’s various components (the cancer and imaging center, as well as the medical office land, retail land, and transitional land). Our revenue estimates for each component is displayed in the following table.

Market Values, by Component				
<u>Component</u>	<u>Rentable/Land Area (SF)</u>	<u>Property Rights</u>	<u>Date of Value</u>	<u>Conclusion (Rd.)</u>
Cancer & Imaging Center	66,139	Leased Fee	July 15, 2015	<b>\$37,580,000</b>
Medical Office Land	380,714	Fee Simple	July 15, 2015	<b>\$5,710,000</b>
Retail Land	700,009	Fee Simple	July 15, 2015	<b>\$4,550,000</b>
Transitional Land	746,183	Fee Simple	July 15, 2015	<b>\$2,980,000</b>
<b><i>Cumulative (Aggregate) Value of the District</i></b>				<b><i>\$50,820,000</i></b>

## *Absorption Analysis*

In developing an estimate of absorption period for the subject property, we have attempted to consider the impact of present market conditions and the anticipated changes in the market. Real estate is cyclical in nature, and it is difficult to accurately forecast specific demand over a projected absorption period. While market conditions are stabilizing, the office and retail sectors in the subject's submarket have reported fluctuating absorption, with the retail market showing a stronger positive than negative sign in comparison to the office market. Asking rental rates have continued to remain relatively stable, although they have still not fully recovered from prior recession levels. It is anticipated vacancy rates will remain on the downward trend and lease rates will continue to normalize and begin to trend upward.

Based on the specifics of the subject property (e.g., location, visibility/accessibility, etc.), as well as the projected demand for properties in the subject's area, it is expected all of the subject components could sell within 18 months if marketed simultaneously. The retail and transitional land are most likely to sell to single, but separate, buyers, while the cancer and imaging center and medical office land will likely sell off to multiple buyers. Overall, our absorption period estimate includes feedback from brokers active in the area, as well as consideration of current economic conditions. This absorption conclusion assumes a professional marketing strategy and the absence of price trending.

## *Expenses*

### General and Administrative/Sales and Marketing

These expenses consist of management fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.0% to 4.0%, depending on length of the project and if all of the categories are included in a builder's budget. For purposes of this analysis, we have estimated this expense at 2% of the total gross sale proceeds.

Sales and marketing expenses are estimated to be 5% of the total gross sale proceeds. Although this rate is somewhat negotiable, it is considered to be consistent with current industry trends, and includes closing costs.

### Taxes and Assessments

This valuation is predicated on and assumes a sale of the appraised properties. Interim ad valorem property taxes are based on the subject property's current tax rate of 1.1176%, which is applied to our estimate of market value. There is anticipated to be one year of capitalized interest associated with the California Statewide Communities Development Authority SCIP Community Facilities

District Bonds; thus, in light of the disposition period estimated herein, no special assessments will be collected during the first four periods.

### ***Discount Rate***

According to a leading publication within the appraisal industry, the PwC Real Estate Investor Survey<sup>16</sup>, discount rates for land development projects ranged from 10.00% to 20.00%, with an average of 15.90% during the Second Quarter 2015, which is down 85 basis points (16.75%) from the Fourth Quarter 2014 (land survey completed every six months). These rates are free-and-clear of financing, are inclusive of developer's profit, and assume entitlements are in place. Without entitlements in place, the PwC survey indicates certain investors increase the discount rate between 100 and 800 basis points (an average increase of 400 basis points).

According to the data presented in the survey prepared by PwC, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Additionally, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. As such, the range of rates presented above is inclusive of the developer's profit projection.

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

Excerpts from recent PwC surveys are copied on the next page.

Of the four main property types covered in our Survey, three of them are expected to positively move along the real estate cycle, shifting mainly into either expansion or recovery, which will provide development opportunities. The one exception is the national multifamily sector, where many metros are expected to move into contraction by year-end 2015... Over the next 12 months, all investor participants expect one foresee development land values to increase. Appreciation ranges up to 15.0% and averages 5.2%. (Second Quarter 2015)

Looking ahead over the next 12 months, surveyed investors unanimously forecast property values in the national development land market to increase. Expected appreciation ranges up to 15.0% and average 5.0%. (Fourth Quarter 2014)

As both the U.S. economy and the commercial real estate (CRE) industry's fundamentals show continued signs of improvement, interest in CRE development has picked up across each main property sector – office, retail, industrial, apartments, and lodging. As a result, certain investors

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<sup>16</sup> PwC Real Estate Investor Survey, PricewaterhouseCoopers, 2<sup>nd</sup> Quarter 2015, Volume 28, Number 2.

in the national development land market are looking to acquire new parcels, finish entitling owned tracts, and/or convert parcels into readied sites... For the first time in quite a while, our surveyed investors are unanimous in their expectations that values for development land will increase over the next 12 months... Appreciation ranges up to 10.0% and averages 3.6% – up quite a bit from six months ago when the average was 2.6%. (Second Quarter 2014)

Survey results suggest that investors anticipate commercial real estate (CRE) fundamentals to continue to improve, opening up diverse development land opportunities across all property types... The outlook for development improved for the second straight year. In addition, and perhaps more importantly, the average outlook for development is considered “fair” – an improvement from two years ago when the average outlook was “modestly poor...” The improvement in the development outlook does not mean that the CRE industry will be flooded with new supply in the near future and that vast opportunities exist for development land investors. “Some markets still have a significant inventory of land with entitlements and some with partial infrastructure that will move forward with development first, so we still need to be patient,” says an investor, who suggests looking for opportunities in metros where sustainable job growth exists. Another strategizes to “find the right land location and then wait for buyers to show up.” (Fourth Quarter 2013)

Improvements to the U.S. housing market and domestic economy have sparked increased interest in commercial real estate (CRE) development as many investors note that a growing number of developers are talking about and planning new projects. “The market is certainly improving in specific areas and specific submarkets,” says an investor. Nevertheless, patience is a key word among many development land investors since the recovery in the CRE industry is occurring very slowly in many areas. “It’s all about timing, and you need to be in the right market at the right time,” shares another. (Second Quarter 2013)

Although there are signs of improvements in this property sector, investors stress that it mostly relates to the amount of activity rather than improvements in pricing. “It is still a buyers’ market,” says a participant. For now, some development land investors advise owners to “hold onto their land and wait for markets to really come back...” A growing interest in new development caused both the average and high and low ranges of the discount rate to decline for the national land development market over the past six months. (Fourth Quarter 2012)

Information for a developing in-house database of project yield rates is presented in the table on the following page.

<b>Data Source</b>	<b>Yield / IRR Expectations (Inclusive of Profit)</b>
PwC Real Estate Investor Survey - Second Quarter 2015 (updated semi-annually)	Range of 10.0% to 20.0%, with an average of 15.90%, inclusive of profit and assuming entitlements in place, for land development (national average)
Josh Roden - Meritage (2013)	20% to 25% for entitled lots
Jeb Elmore - Lewis Operating Corp (2013)	18% to 25%. Longer term, higher risk projects on higher side of the range, shorter term, lower risk projects on the lower side of the range. Long term speculation properties (10 to 20 years out) often closer to 30%.
Greg Ackerman - Pulte (2010)	18% minimum, 20% target
Chris Downey - Hon Development	Minimum IRR of 20-25%; for an 8 to 10 year cash flow, mid to upper 20% range
Gary Gorian - Dale Poe Development	25% IRR for land development is typical (no entitlements); slightly higher for properties with significant infrastructure costs
David Pitts - Newhall Land and Farming	20% to 30% IRR for land development deals on an unleveraged basis
Mark Palkowitsh - MSP California, LLC	35% for large land deals from raw unentitled to tentative map stage, unleveraged or leveraged. 25% to 30% from tentative map to pad sales to merchant builders, unleveraged
Rick Nieman - GFC	18% to 22% for land with some entitlements, unleveraged. 30% for raw unentitled
Lin Stinson - Providence Realty Group	Low 20% range yield rate required to attract capital to longer-term land holdings
Dan Boyd - ESE Land Company	Merchant builder yield requirements in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30%. Environmentally challenged or politically risky development could well run in
Tulare Windmill Ventures, LLC	10% discount rate excluding profit for single-family subdivisions
David Jacobsen - Ridgcrest Homes	10% to 40% for single-family residential subdivisions with 1-2 year development timelines
Mike Grant - Premier Homes	15% to 20% IRR
Lyle McCullogh - California Pacific Homes	No less than 20% IRR for land development, either entitled or unentitled
Roy Robertson - Ekotec	20% to 30% for an unentitled property; the lower end of the range would reflect those properties close to tentative maps
Gordon MacKenzie - Brookfield Development	No less than 30% when typical entitlement risk exists

The expected and reported IRR requirements relate to properties consisting of unimproved land, which is the same as the subject's condition. Based on the preceding discussion and developer surveys, we have concluded a discount rate (IRR) of 20.0% (annual) for the subject's land components.

### ***Conclusion***

The table on the following page incorporates the preceding factors in estimating the bulk market value of the District. The discounted cash flow analysis is calculated on a quarterly basis. It is noted the previously concluded market value of the cancer and imaging center (\$37,580,000) will be added to the discounted cash flow of the unimproved land components in order to estimate the market value of the subject property in bulk.

**Assumptions:**

Component	Total Acres	Value per SF	Aggregate Retail Value (rd)
Cancer & Imaging Center	3.11	\$15.00	\$ 37,580,000
Medical Office Land	2.98	\$15.00	\$ 2,030,000
Medical Office Land	2.65	\$15.00	\$ 1,950,000
Medical Office Land	2.65	\$15.00	\$ 1,730,000
Sub-Total - Medical Office Land Component	8.74		\$ 5,710,000
Retail Land	16.07	\$6.50	\$ 4,550,000
Sub-Total - Retail Land Component	16.07		\$ 4,550,000
Transitional Land	17.13	\$4.00	\$ 2,980,000
Sub-Total - Transitional Land Component	17.13		\$ 2,980,000
<b>Total Aggregate Retail Value/Sales Revenue</b>			<b>\$ 50,820,000</b>

HOLDING COSTS AND GENERAL EXPENSES	
General and Administrative (% sales)	3.0%
Marketing and Sales	5.0%
Annual increase in Property Tax	2.0%
First year annual taxes / Acre:	\$2,747
Annual Back-up Special Taxes / Acre	\$5,484

**DISCOUNT RATE (IRR)**  
20%

**Income and Expense Analysis:**

	1	2	3	4	5	6	Total
Period (One Period = 3 Months)							
Sales (Medical Office Acres):	2.98	3.11	2.65	0.00	0.00	0.00	8.74
Inventory (Medical Office Acres):	5.76	2.65	0.00	0.00	0.00	0.00	16.07
Sales (Retail Acres):	0.00	0.00	16.07	0.00	0.00	0.00	16.07
Inventory (Retail Acres):	16.07	16.07	0.00	0.00	0.00	0.00	17.13
Sales (Transitional Acres):	0.00	0.00	0.00	0.00	0.00	17.13	17.13
Inventory (Transitional Acres):	17.13	17.13	17.13	17.13	17.13	0.00	0.00
<b>Total Sales Revenue</b>	<b>\$ 1,950,000</b>	<b>\$ 2,030,000</b>	<b>\$ 6,280,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,980,000</b>	<b>\$ 13,240,000</b>
<b>Expenses</b>							
General and Administrative	\$ (66,200)	\$ (66,200)	\$ (66,200)	\$ (66,200)	\$ (66,200)	\$ (66,200)	\$ (397,200)
Marketing and Sales	\$ (97,500)	\$ (101,500)	\$ (314,000)	\$ -	\$ -	\$ (149,000)	\$ (662,000)
Real Estate Taxes	\$ (28,806)	\$ (26,759)	\$ (24,623)	\$ (11,766)	\$ (11,766)	\$ (11,766)	\$ (115,485)
Annual Special Taxes*	\$ -	\$ -	\$ -	\$ -	\$ (23,485)	\$ (23,485)	\$ (46,971)
Remaining Infrastructure Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenses</b>	<b>\$ (192,506)</b>	<b>\$ (194,459)</b>	<b>\$ (404,823)</b>	<b>\$ (77,966)</b>	<b>\$ (101,451)</b>	<b>\$ (250,451)</b>	<b>\$ (1,221,655)</b>
<b>NET INCOME</b>	<b>\$ 1,757,494</b>	<b>\$ 1,835,541</b>	<b>\$ 5,875,177</b>	<b>\$ (77,966)</b>	<b>\$ (101,451)</b>	<b>\$ 2,729,549</b>	<b>\$ 12,018,345</b>
Present Value Factor	0.95238	0.90703	0.86384	0.82270	0.78353	0.74622	
Discounted Cash Flow	\$ 1,673,804	\$ 1,664,890	\$ 5,075,199	\$ (64,142)	\$ (79,489)	\$ 2,036,832	\$ 10,307,092
<b>Net Present Value - Land Components (Rd.)</b>	<b>\$ 10,310,000</b>						
<b>Market Value - Cancer and Imaging Center Component</b>	<b>\$ 37,580,000</b>						<b>\$ 47,890,000</b>

**CONCLUSION OF MARKET VALUE IN BULK (RD)**

\* Assumes at least one year of capitalized interest

## **SUMMARY AND CONCLUSION OF VALUE**

The purpose of this appraisal is to provide the market value of the District, subject to the hypothetical condition, which assumes all public facilities (Morning Drive extension, sewer, storm drain, and water) are in place and available for use, and will be financed by the California Statewide Communities Development Authority SCIP Community Facilities District No. 2014-01 Bonds. In addition, the estimate of value assumes the proposed cancer and imaging center improvements have been completed. The effective date of value is July 15, 2015 which was the date of inspection.

As a result of the analysis herein, it is our opinion the market value of the District, subject to the lien of the special tax securing the California Statewide Communities Development Authority SCIP Community Facilities District Bonds, in accordance with the aforementioned hypothetical condition, and in accordance with the definitions, certifications, general assumptions and limiting conditions set forth in the attached document (please refer to pages 7 through 9), is ...

**FORTY SEVEN MILLION EIGHT HUNDRED NINETY THOUSAND DOLLARS**

**\$47,890,000**

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

## **EXPOSURE AND MARKETING TIME**

Exposure time and marketing time may or may not be similar depending on whether market activity in the immediate future continues in the same manner as in the immediate past. Indications of the exposure time associated with the market value estimate are provided by the marketing times of sale comparables, interviews with participants in the market and analysis of general economic conditions. Estimation of a future marketing time is more difficult, requiring forecasting and analysis of trends.

### **Exposure Time**

Exposure time is the period a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. For a complete definition of exposure time, please reference the *Glossary of Terms* in the Appendix.

In attempting to estimate a reasonable exposure time for the subject property, we looked at both the historical exposure times of a number of sales, as well as current and past economic conditions. The commercial market in the region has been improving in recent periods. If appropriately priced, it is estimated that a transfer of the various components comprising the subject property could occur within 12 months of exposure.

### **Marketing Time**

Marketing time is an estimate of the time to sell a property interest in real estate at the estimated market value during the period immediately after the effective date of value. A reasonable marketing time is estimated by comparing the recent exposure time of similar properties, and then taking into consideration current and future economic conditions and how they may impact marketing of the subject property.

The marketing time for the subject property is not anticipated to vary significantly from the exposure time. Thus, the marketing time is estimated at 12 months or less.



# APPENDIX

**A – PRELIMINARY TITLE REPORT**



CHICAGO TITLE COMPANY

## PRELIMINARY REPORT

*In response to the application for a policy of title insurance referenced herein, **Chicago Title 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 herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions 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 Attachment One. 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 Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.*

*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.*

*The policy(s) of title insurance to be issued hereunder will be policy(s) of Chicago Title Insurance Company, a Nebraska corporation.*

***Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One 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.***

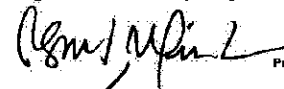
***It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.***

  
Countersigned




Chicago Title Company

BY

 President

ATTEST

 Secretary



# Chicago Title Company

**ISSUING OFFICE:** 2540 W. Shaw Lane, Suite 112 • Fresno, CA 93711  
559 492-4251 • FAX 559 448-8526

## PRELIMINARY REPORT

**Amended**

Title Officer: Marc Wisneski

Title No.: 13-**54113583**-C-MW

Locate No.: CACTI7715-7715-4541-0054113583

TO: Rio Bravo Medical Campus, LLC  
855 M Street  
Fresno, CA 93721

ATTN: Todd A. Wynkoop

**PROPERTY ADDRESS:** Bakersfield, California

**EFFECTIVE DATE: February 19, 2014, 07:30 A.M.**

The form of policy or policies of title insurance contemplated by this report is:

CLTA Standard Coverage Policy - 1990

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

A Fee

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

**Rio Bravo Medical Campus, LLC, A California Limited Liability Company**

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

DM\GG 07/24/2013

**LEGAL DESCRIPTION**

**EXHIBIT "A"**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF BAKERSFIELD, COUNTY OF KERN, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

THAT PORTION OF THE NORTHEAST QUARTER OF SECTION 24, TOWNSHIP 29 SOUTH, RANGE 28 EAST, MOUNT DIABLO MERIDIAN, IN THE CITY OF BAKERSFIELD, COUNTY OF KERN, STATE OF CALIFORNIA, DESCRIBED AS LOT 1 OF LOT LINE ADJUSTMENT NO. 08-0064 PER CERTIFICATE OF COMPLIANCE RECORDED OCTOBER 8, 2008 AS INSTRUMENT NO. 0208159433, OF SAID OFFICIAL RECORDS, DESCRIBED AS FOLLOWS:

COMMENCING AT THE EAST QUARTER CORNER OF SAID SECTION 24; THENCE ALONG THE EASTERLY LINE OF SAID NORTHEAST QUARTER NORTH 00°34'54" EAST 711.00 FEET TO THE TRUE POINT OF BEGINNING AT THE SOUTHEAST CORNER OF SAID LOT "B"; THENCE;

1. ALONG THE SOUTHERLY AND WESTERLY BOUNDARY OF SAID LOT "B" THE FOLLOWING 15 COURSES, NORTH 89°25'06" WEST 1340.17 FEET; THENCE
2. NORTH 87°50'34" WEST 70.00 FEET; THENCE
3. NORTH 77°40'04" WEST 70.00 FEET; THENCE
4. NORTH 66°11'22" WEST 70.00 FEET; THENCE
5. NORTH 49°49'20" WEST 140.53 FEET; THENCE
6. NORTH 43°53'58" WEST 60.00 FEET; THENCE
7. NORTH 46°06'02" EAST 38.77 FEET; THENCE
8. NORTH 00° 41'57" EAST 656.30 FEET; THENCE
9. NORTH 67° 39'25" WEST 222.55 FEET; THENCE
10. NORTH 22°20'35" EAST 57.66 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHWESTERLY HAVING A RADIUS OF 330.00 FEET; THENCE
11. NORTHERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 13°29'48" AN ARC DISTANCE OF 77.74 FEET TO THE BEGINNING OF A TANGENT REVERSE CURVE CONCAVE SOUTHEASTERLY HAVING A RADIUS OF 20.00 FEET; THENCE
12. NORTHEASTERLY ALONG LAST SAID CURVE THROUGH A CENTRAL ANGLE OF 81°47'13" AN ARC DISTANCE OF 28.55 FEET; THENCE
13. NON RADIAL TO SAID CURVE NORTH 00°41'57" EAST 60.00 FEET; THENCE
14. NORTH 89°22'00" WEST 54.12 FEET; THENCE
15. NORTH 00°37'59" EAST 154.13 FEET TO THE NORTHWESTERLY CORNER OF SAID LOT "B"; THENCE
16. ALONG THE NORTHERLY LINE OF SAID LOT "B" NORTH 89°47'59" EAST 825.70 FEET TO A POINT ON THE WESTERLY LINE OF THE LAND DESCRIBED IN BOOK 6032 PAGE 1434, OF SAID OFFICIAL RECORDS; THENCE
17. ALONG LAST SAID WESTERLY LINE SOUTH 00°34'54" WEST 297.08 FEET TO THE SOUTHWESTERLY CORNER OF LAST SAID LAND; THENCE
18. ALONG THE SOUTHERLY LINE OF LAST SAID LAND SOUTH 89°25'06" WEST 300.00 FEET TO THE SOUTHEASTERLY CORNER OF LAST SAID LAND; THENCE
19. ALONG THE EASTERLY LINE OF LAST SAID LAND NORTH 00°34'54" EAST 284.84 FEET TO THE NORTHEASTERLY CORNER OF LAST SAID LAND AND THE NORTHWESTERLY CORNER OF SAID LOT "A", BEING A POINT ON A NON-TANGENT CURVE CONCAVE SOUTHWESTERLY HAVING A RADIUS OF 940.00 FEET, A RADIAL LINE THROUGH SAID POINT BEARS SOUTH 11°01'18" WEST; THENCE
20. SOUTHEASTERLY ALONG LAST SAID CURVE AND THE NORTHERLY LINE OF SAID LOT "A" THROUGH A CENTRAL ANGLE OF 10°14'41" AN ARC DISTANCE OF 168.08 FEET; THENCE
21. CONTINUING ALONG THE NORTHERLY AND NORTHWESTERLY LINES OF SAID LOT "A" THE FOLLOWING 3 COURSES, SOUTH 67°34'24" EAST 405.38 FEET; THENCE
22. SOUTH 00°34'54" WEST 162.74 FEET; THENCE
23. SOUTH 89°58'05" EAST 200.01 FEET TO A POINT ON THE EASTERLY LINE OF SAID NORTHEAST QUARTER OF SECTION 24; THENCE
24. ALONG LAST SAID EASTERLY LINE SOUTH 00°34'54" WEST 944.24 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPT THEREFROM LOT 2

PARCEL 2:

THAT PORTION OF THE NORTHEAST QUARTER OF SECTION 24, TOWNSHIP 29 SOUTH, RANGE 28 EAST, MOUNT DIABLO MERIDIAN, IN THE CITY OF BAKERSFIELD, COUNTY OF KERN, STATE OF CALIFORNIA, AS DESCRIBED AS FOLLOWS:

PARCELS 1, 2, 3 AND 4 OF PARCEL MAP NO. 11894, RECORDED SEPTEMBER 25, 2012 IN BOOK 58 OF PARCEL MAPS AT PAGES 198 TO 200 INCLUSIVE, OFFICIAL RECORDS OF KERN COUNTY.

EXCEPTING THEREFROM THAT PORTION OF SAID LAND AS GRANT DEEDED TO THE CITY OF BAKERSFIELD, A MUNICIPAL CORPORATION, RECORDED OCTOBER 11, 2012 AS INSTRUMENT NO. 0212 144701, RECORDS OF SAID COUNTY.

APN: 434-010-50, 434-010-65, 434-010-67, 434-010-70, 434-010-71, 434-010-72, 434-010-73

**AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:**

1. **Property taxes**, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2014-2015.

2. Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

Code Area: 001-080  
Tax Identification No.: 434-010-50-00  
Fiscal Year: 2013-2014  
1st Installment: \$4,564.34, Paid  
2nd Installment: \$4,564.33, Open  
Exemption: \$0.00  
Land: \$797,500.00  
Improvements: \$0.00  
Personal Property: \$0.00  
Bill No.: 13-1317792-00-4

3. Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

Code Area: 001-189  
Tax Identification No.: 434-010-65-00  
Fiscal Year: 2013-2014  
1st Installment: \$14,790.03, Paid  
2nd Installment: \$14,790.03, Open  
Exemption: \$0.00  
Land: \$2,584,000.00  
Improvements: \$0.00  
Personal Property: \$0.00  
Bill No.: 13-1317795-00-3

4. Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

Code Area: 001-235  
Tax Identification No.: 434-010-67-00  
Fiscal Year: 2013-2014  
1st Installment: \$15,411.01, Paid  
2nd Installment: \$15,411.01, Open  
Exemption: \$0.00  
Land: \$2,692,500.00  
Improvements: \$0.00  
Personal Property: \$0.00  
Bill No.: 13-1317796-00-6

5. Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

Code Area: 001-235  
Tax Identification No.: 434-010-70-00  
Fiscal Year: 2013-2014  
1st Installment: \$3,967.96, Paid  
2nd Installment: \$3,967.96, Open  
Exemption: \$0.00  
Land: \$693,124.00  
Improvements: \$0.00  
Personal Property: \$0.00  
Bill No.: 13-1317799-00-5

6. Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

Code Area: 001-235  
Tax Identification No.: 434-010-71-00  
Fiscal Year: 2013-2014  
1st Installment: \$4,656.57, Paid  
2nd Installment: \$4,656.56, Open  
Exemption: \$0.00  
Land: \$813,440.00  
Improvements: \$0.00  
Personal Property: \$0.00  
Bill No.: 13-1317800-00-4

7. Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

Code Area: 001-235  
Tax Identification No.: 434-010-72-00  
Fiscal Year: 2013-2014  
1st Installment: \$3,818.27, Paid  
2nd Installment: \$3,818.27, Open  
Exemption: \$0.00  
Land: \$666,969.00  
Improvements: \$0.00  
Personal Property: \$0.00  
Bill No.: 13-1317801-00-7



**8.** Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

Code Area:	001-235
Tax Identification No.:	434-010-73-00
Fiscal Year:	2013-2014
1st Installment:	\$6,707.41, Paid
2nd Installment:	\$6,707.41, Open
Exemption:	\$0.00
Land:	\$1,171,772.00
Improvements:	\$0.00
Personal Property:	\$0.00
Bill No.:	13-1317802-00-0

**9.** **The lien of supplemental taxes**, if any, assessed pursuant to the provisions of Chapter 3.5 (Commencing with Section 75) of the Revenue and Taxation code of the State of California.

**10.** **Taxes and assessments** levied by the Assessment No. 09-01 District.

**11.** **Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to:	Pacific Light and Power Corporation, a corporation, its successors and assigns
Purpose:	one line of poles for telephone and telegraph or other purposes
Recorded:	April 21, 1913, Book 280, Page 213, of Deeds
Affects:	said land

Reference is made to said document for full particulars.

**12.** **Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to:	Southern California Edison Company, a corporation, its successors and assigns
Purpose:	electrical transmission line purposes
Recorded:	July 10, 1925, Book 83, Page 224, of Official Records
Affects:	said land

Reference is made to said document for full particulars.

**13.** **Easement(s)** for the purpose(s) shown below and rights incidental thereto as delineated or as offered for dedication, on the Map recorded December 30, 1946 in Book 5 Page 92 of Records of Survey.

Purpose:	road purposes
Affects:	the Easterly 40 feet of said land

- 14. Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: Southern California Edison Company, a corporation, its successors and assigns  
Purpose: electrical transmission line purposes  
Recorded: January 30, 1950, Book 1662, Page 73, of Official Records  
Affects: said land

Reference is made to said document for full particulars.

- 15. The fact** that the ownership of said land does not include rights of access to or from State Highway 178 abutting said land, such rights having been relinquished in the Deed to the State of California recorded April 12, 1971 in Book 4512, Page 404 of Official Records.

- 16. Waiver of any claims for damages** to said property by reason of the location, construction, landscaping or maintenance of the freeway adjoining said property, as contained in the deed to the State of California, recorded April 12, 1971, Book 4512, Page 404, of Official Records.

- 17. Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: East Niles Community Services District  
Purpose: sewer and water pipelines  
Recorded: September 18, 1986, Book 5917, Page 54, of Official Records  
Affects: said land. Reference is made to said document for full particulars.

- 18. Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: The City of Bakersfield  
Purpose: public street  
Recorded: June 30, 2005, Instrument No. 0205169109, of Official Records  
Affects: said land

Reference is made to said document for full particulars.

- 19. Waiver of any claims for damages** to said property by reason of the location, construction, landscaping or maintenance of the freeway adjoining said property, as contained in the deed to the State of California, recorded June 30, 2005, Instrument No. 0205169109, of Official Records.

- 20. **Covenants, conditions and restrictions** in the declaration of restrictions but omitting any covenants or restrictions, if any, including, but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law.

Recorded: May 14, 2008, Instrument No. 0208076635, of Official Records

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

- 21. **Matters** contained in that certain document entitled "License Agreement" dated May 9, 2008, executed by S&J Alfalfa, Inc., a California Corporation and Rio Bravo Investments, LLC, a California limited liability company recorded July 30, 2008, Instrument No. 0208120971, of Official Records.

Reference is hereby made to said document for full particulars.

- 22. **Matters** contained in that certain document entitled "Restrictive Covenant and Commercial Off-Site Agreement Running with the Land" dated none shown, executed by Rio Bravo Investment Group, LLC, a limited liability company and Morning 178, LLC, a limited liability company recorded October 17, 2008, Instrument No. 0208165996, of Official Records.

Reference is hereby made to said document for full particulars.

- 23. **Matters** contained in that certain document entitled "Restrictive Covenant and Commercial Off-Site Agreement Running with the Land" dated none shown, executed by Rio Bravo Investment Group, LLC, a limited liability company and Morning 178, LLC, a limited liability company recorded October 17, 2008, Instrument No. 0208165997, of Official Records.

Reference is hereby made to said document for full particulars.

- 24. **Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: Pacific Gas & Electric Company, a California Corporation  
 Purpose: public utilities and related  
 Recorded: January 28, 2009, Instrument No. 0209 011399, of Official Records  
 Affects: as set forth in said document

together with certain other conditions, provisions and stipulations as contained therein.

- 25. **Matters** contained in that certain document entitled "Covenant Disclosing Inclusion in Maintenance District" dated 03/2012, executed by and between Rio Bravo Investment Group, LLC and Rio Bravo Medical Campus, LLC and the City of Bakersfield recorded March 14, 2012, Instrument No. 0212-034495, of Official Records, which document, among other things, contains or provides for: as set forth in said document .

Reference is hereby made to said document for full particulars.

- 26. **Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: East Niles Community Services District  
 Purpose: public utilities  
 Recorded: September 11, 2012, Instrument No. 0212 128220, of Official Records  
 Affects: as set forth in said document

matters as contained on the map attached to and made of part of said instrument

- 27. **Covenants, conditions and restrictions** in the declaration of restrictions but omitting any covenants or restrictions, if any, including, but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law.

Recorded: October 11, 2012, Instrument No. 0212 145008, of Official Records

Modification(s) of said covenants, conditions and restrictions

Recorded: June 20, 2013, Instrument No. 0213 087226, of Official Records

- 28. **Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: East Niles Community Services District, a political subdivision  
 Purpose: public utilities  
 Recorded: October 16, 2012, Instrument No. 0212 147239, of Official Records  
 Affects: as set forth in said document

Together with certain other stipulations as contain therein

- 29. Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: East Niles Community Services District, a political subdivision  
Purpose: public utilities  
Recorded: December 18, 2012, Instrument No. 0212 183513, of Official Records  
Affects: as set forth in said document

Together with certain other stipulations as contain therein

- 30. Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: The City of Bakersfield  
Purpose: Slope Easement  
Recorded: April 18, 2013, Instrument No. 0213 053598, of Official Records  
Affects: as set forth in said document

- 31. Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: Pacific Gas & Electric Company, a California Corporation  
Purpose: public utilities  
Recorded: April 22, 2013, Instrument No. 0213 054804, of Official Records  
Affects: as set forth in said document

together with certain other stipulations as contained therein

matters as contained on the maps attached to and made a part of said instrument

- 32. Any facts, rights, interests, or claims** which may exist or arise by reason of the following facts disclosed by survey, Job No. Project No: 143131, dated July 15, 2013 prepared by Gateway Engineering, Inc.:

The fact that an existing high voltage tower resides on said land  
 The fact that an existing aerial electrical lines resides on said land  
 The fact that various dirt roads reside on said land  
 The fact that an existing temporary basin resides on said land  
 The fact that various Conc. V-Ditch resides on said land  
 The fact that an existing air release resides on said land  
 The fact that an existing sewer stub resides on said land  
 The fact that an existing sanitary sewer resides on said land  
 The fact that an existing sewer manhole resides on said land  
 The fact that an existing culvert inlet and outlet resides on said land  
 The fact that an existing sewer clean out resides on said land  
 The fact that various hydrants resides on said land  
 The fact that an existing water stub resides on said land  
 The fact that an existing water main resides on said land  
 The fact that an existing building setback lines resides on said land  
 The fact that an existing gas line resides on said land  
 The fact that an existing electrical line resides on said land  
 The fact that an existing fence line resides on said land  
 The fact that an existing curbs and gutters reside on said land  
 The fact that an existing utility pole resides on said land  
 The fact that an existing sewer cleanout resides on said land  
 The fact that an existing water valve resides on said land  
 The fact that an existing fire hydrant resides on said land  
 The fact that an existing gas stub resides on said land  
 The fact that an existing tank resides on said land  
 The fact that an existing fenceline encroachment onto property resides on said land

- 33.** The requirement that said ALTA survey be certified in favor of Chicago Title Insurance Company  
 The requirement that said ALTA Survey be dated within 30 days of closing of this transaction
- 34. Taxes, or assessments** which are not shown as existing liens by the records or 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 notices of such proceedings, whether or not shown by the records of such agency or by the public records.
- 35. (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 in the public records.
- 36.** Any lien or right to a lien for services, labor or material not shown by the public records.
- 37. The transaction contemplated** in connection with this Report is subject to the review and approval of the Company's Corporate Underwriting Department. The Company reserves the right to add additional items or make further requirements after such review.

**38. If a work of improvement** is contemplated, in progress or recently completed. To assist the Company in determining if it can give the priority coverage contained within the policy contemplated by this report, please provide the following:

- (a) Current Financial Statement and/or Current Loan Application.
- (b) Project Cost Breakdown.
- (c) Completed Loss of Priority Questionnaire. (This form furnished by the Company).
- (d) A fully executed Indemnity Agreement. (This form furnished by the Company).
- (e) If work\* has commenced prior to the recordation of the Construction Deed of Trust there will be further requirements and the closing of the transaction could be delayed.

\*"Work" may include, among other things, any preparation of the site for the planned construction, delivery of construction materials or equipment and any labor furnished.

The Company reserves the right to add additional items or make further requirements after review of the requested documentation.

**END OF ITEMS**

**Note 1.** The current owner does NOT qualify for the \$20.00 discount pursuant to the coordinated stipulated judgments entered in actions filed by both the Attorney General and private class action plaintiffs for the herein described property.

**Note 2.** The policy of title insurance will include an arbitration provision. The Company or the insured may demand arbitration. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. Please ask your escrow or title officer for a sample copy of the policy to be issued if you wish to review the arbitration provisions and any other provisions pertaining to your Title Insurance coverage.

**Note 3.** Escrow Information Note: Arb No.  
131-063-0-02, 02.01, 03.01, 03, 03.01.01 and 03.02

**Note 4.** If a county recorder, title insurance company, escrow company, real estate broker, real estate agent or association provides a copy of a declaration, governing document or deed to any person, California law requires that the document provided shall include a statement regarding any unlawful restrictions. Said statement is to be in at least 14-point bold face type and may be stamped on the first page of any document provided or included as a cover page attached to the requested document. Should a party to this transaction request a copy of any document reported herein that fits this category, the statement is to be included in the manner described.

**Note 5.** Please contact Escrow Office for Wire Instructions.

NOTES: (continued)

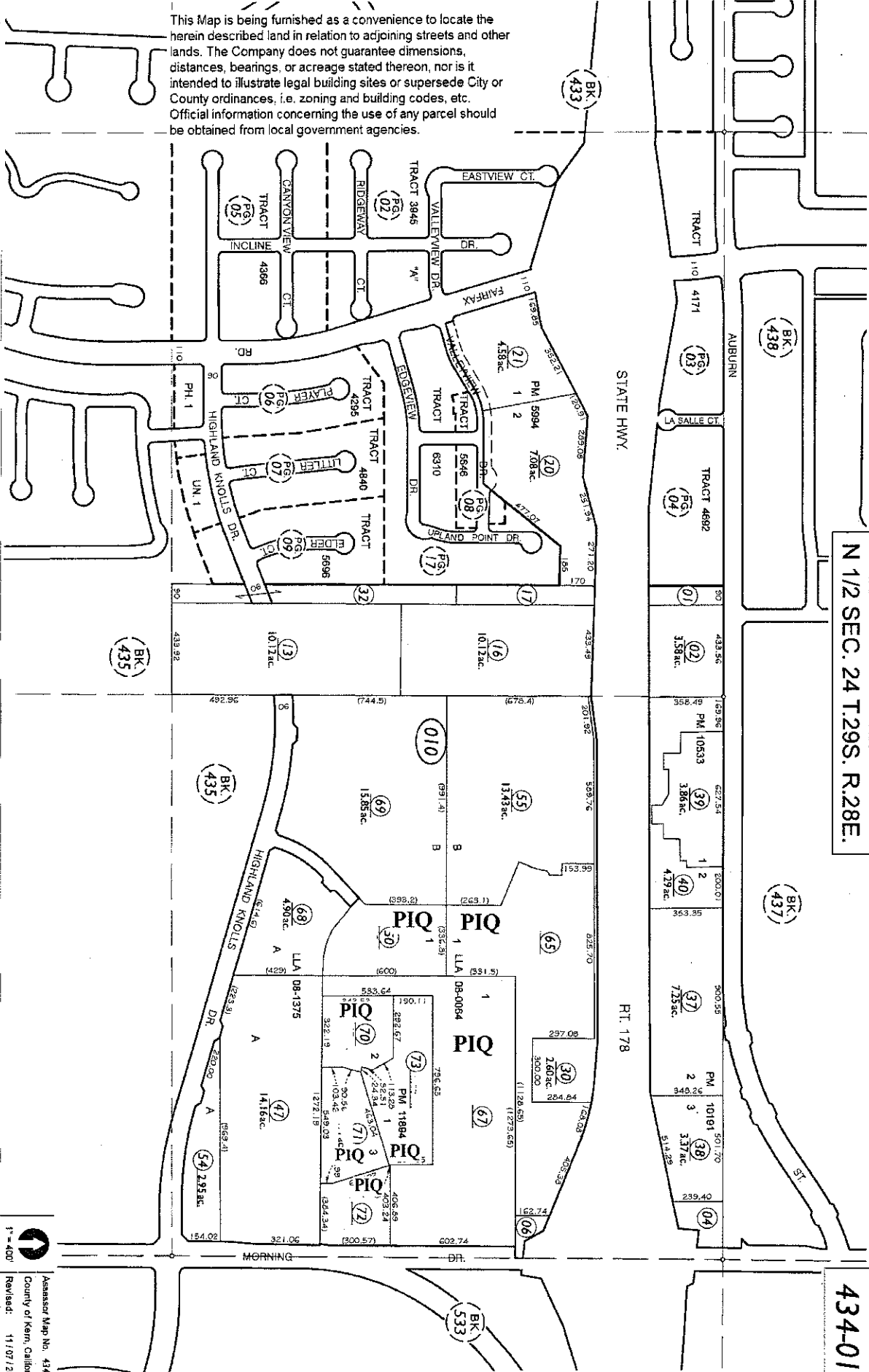
Title No. 13-**54113583**-C-MW  
Locate No. CACTI7715-7715-4541-0054113583

**Note 6.** Any documents being executed in conjunction with this transaction must be signed in the presence of an authorized Company employee, an authorized employee of an agent, an authorized employee of the insured lender, or by using Bancserv or other approved third-party service. If the above requirements cannot be met, please call the company at the number provided in this report.

**END OF NOTES**



This Map is being furnished as a convenience to locate the herein described land in relation to adjoining streets and other lands. The Company does not guarantee dimensions, distances, bearings, or acreage stated thereon, nor is it intended to illustrate legal building sites or supersede City or County ordinances, i.e. zoning and building codes, etc. Official information concerning the use of any parcel should be obtained from local government agencies.



N 1/2 SEC. 24 T.29S. R.28E.

434-01

Assessor Map No. 434-01  
 County of Kern, California  
 Revised: 11/07/2012

This map is for assessment purposes only and should not be construed as a representation of ownership or divisions of land for purposes of zoning or subdivision law.

**ATTACHMENT ONE**  
**AMERICAN LAND TITLE ASSOCIATION**  
**RESIDENTIAL TITLE INSURANCE POLICY (6-1-87) 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
  - improvements on the land
  - land division
  - 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 knowledge of the taking

In addition to the Exclusions, you are not insured against loss, costs, attorneys' fees, and the expenses resulting from:

1. Any rights, interests, or claims of parties in possession of the land not shown by the public records.
2. Any easements or liens not shown by the public records. This does not limit the lien coverage in Item 8 of Covered Title Risks.

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.

3. Any facts about the land which a correct survey would disclose and which are not shown by the public records. This does not limit the forced removal coverage in Item 12 of Covered Title Risks.
4. Any water rights or claims or title to water in or under the land, whether or not shown by the public records.

**ATTACHMENT ONE  
(CONTINUED)**

**CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990  
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 (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 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 claim, which arises out of the transaction vesting in the insured the estate or interest insured by this 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.

**SCHEDULE B, PART I  
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:

**PART I**

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 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 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, 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.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

**ATTACHMENT ONE  
(CONTINUED)**

**FORMERLY AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (10-17-92)  
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) 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 to 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 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 mortgage 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.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage.

In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

**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 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 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, 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.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

**ATTACHMENT ONE  
(CONTINUED)**

**2006 AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (06-17-06)  
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).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage.

In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

**EXCEPTIONS FROM COVERAGE**

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that 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.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.

**ATTACHMENT ONE  
(CONTINUED)**

**FORMERLY AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY (10-17-92)  
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 judgement or lien creditor.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage.

In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

**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 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 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, 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.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

**ATTACHMENT ONE  
(CONTINUED)**

**2006 AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY (06-17-06)  
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 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.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage.

In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

**EXCEPTIONS FROM COVERAGE**

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that 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.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.

**ATTACHMENT ONE  
(CONTINUED)**

**CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (10-22-03)  
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (10-22-03)  
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 ordinances, laws and regulations concerning:
  - a. building
  - b. zoning
  - c. Land use
  - d. improvements on Land
  - e. Land division
  - f. environmental protection

This Exclusion does not apply to violations or the enforcement of these matters if notice of the violation or enforcement appears in the Public Records at the Policy Date.  
This Exclusion does not limit the coverage described in Covered Risk 14, 15, 16, 17 or 24.
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 apply to violations of building codes if notice of the violation appears in the Public Records at the Policy Date.
3. The right to take the Land by condemning it, unless:
  - a. notice of exercising the right appears in the Public Records at the Policy Date; or
  - b. the taking happened before the Policy Date and is binding on You if You bought the Land without Knowing of the taking.
4. Risks:
  - a. that are created, allowed, or agreed to by You, whether or not they appear in the Public Records;
  - b. that are Known to You at the Policy Date, but not to Us, unless they appear 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.d, 22, 23, 24 or 25.
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 18.

**LIMITATIONS ON COVERED RISKS**

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For Covered Risk 14, 15, 16 and 18, 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 14:	1.00% of Policy Amount or <u>\$ 2,500.00</u> (whichever is less)	\$ <u>10,000.00</u>
Covered Risk 15:	1.00% of Policy Amount or <u>\$ 5,000.00</u> (whichever is less)	\$ <u>25,000.00</u>
Covered Risk 16:	1.00% of Policy Amount or <u>\$ 5,000.00</u> (whichever is less)	\$ <u>25,000.00</u>
Covered Risk 18:	1.00% of Policy Amount or <u>\$ 2,500.00</u> (whichever is less)	\$ <u>5,000.00</u>



**ATTACHMENT ONE  
(CONTINUED)**

**CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10)  
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10)  
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; and
  - f. environmental protection.
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.
7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.

**LIMITATIONS ON COVERED RISKS**

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For 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:	1.00% of Policy Amount Shown in Schedule A or <u>\$ 2,500.00</u> (whichever is less)	\$ <u>10,000.00</u>
Covered Risk 18:	1.00% of Policy Amount Shown in Schedule A or <u>\$ 5,000.00</u> (whichever is less)	\$ <u>25,000.00</u>
Covered Risk 19:	1.00% of Policy Amount Shown in Schedule A or <u>\$ 5,000.00</u> (whichever is less)	\$ <u>25,000.00</u>
Covered Risk 21:	1.00% of Policy Amount Shown in Schedule A or <u>\$ 2,500.00</u> (whichever is less)	\$ <u>5,000.00</u>

**ATTACHMENT ONE  
(CONTINUED)**

**ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (10/13/01)  
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 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 improvements now or hereafter erected on the Land; (iii) a separation in ownership or a change in the dimensions or areas 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. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this 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. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this 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 damage to the Insured Claimant;  
(d) attaching or created subsequent to Date of Policy (this paragraph does not limit the coverage provided under Covered Risks 8, 16, 18, 19, 20, 21, 22, 23, 24, 25 and 26); 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 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, except as provided in Covered Risk 27, or any consumer credit protection or truth in lending law.
6. Real property taxes or assessments of any governmental authority which become a lien on the Land subsequent to Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 7, 8(e) and 26.
7. 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 limit the coverage provided in Covered Risk 8.
8. Lack of priority of the lien of the Insured Mortgage as to each and every advance made after Date of Policy, and all interest charged thereon, over liens, encumbrances and other matters affecting the title, the existence of which are Known to the Insured at:  
(a) The time of the advance; or  
(b) The time a modification is made to the terms of the Insured Mortgage which changes the rate of interest charged, if the rate of interest is greater as a result of the modification than it would have been before the modification. This exclusion does not limit the coverage provided in Covered Risk 8.
9. The failure of the residential structure, or any portion thereof to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at Date of Policy.

**ATTACHMENT ONE  
(CONTINUED)**

**ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (07/26/10)  
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 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. 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.
9. 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 27(b) of this policy.

## **Notice**

You may be entitled to receive a \$20.00 discount on escrow services if you purchased, sold or refinanced residential property in California between May 19, 1995 and November 1, 2002. If you had more than one qualifying transaction, you may be entitled to multiple discounts.

If your previous transaction involved the same property that is the subject of your current transaction, you do not have to do anything; the Company will provide the discount, provided you are paying for escrow or title services in this transaction.

If your previous transaction involved property different from the property that is subject of your current transaction, you must - prior to the close of the current transaction - inform the Company of the earlier transaction, provide the address of the property involved in the previous transaction, and the date or approximate date that the escrow closed to be eligible for the discount.

Unless you inform the Company of the prior transaction on property that is not the subject of this transaction, the Company has no obligation to conduct an investigation to determine if you qualify for a discount. If you provide the Company information concerning a prior transaction, the Company is required to determine if you qualify for a discount which is subject to other terms and conditions.

Fidelity National Financial, Inc.  
**Privacy Statement**

Fidelity National Financial, Inc. and its subsidiaries ("FNF") respect the privacy and security of your non-public personal information ("Personal Information") and protecting your Personal Information is one of our top priorities. This Privacy Statement explains FNF's privacy practices, including how we use the Personal Information we receive from you and from other specified sources, and to whom it may be disclosed. FNF follows the privacy practices described in this Privacy Statement and, depending on the business performed, FNF companies may share information as described herein.

**Personal Information Collected**

We may collect Personal Information about you from the following sources:

- Information we receive from you on applications or other forms, such as your name, address, social security number, tax identification number, asset information, and income information;
- Information we receive from you through our Internet websites, such as your name, address, email address, Internet Protocol address, the website links you used to get to our websites, and your activity while using or reviewing our websites;
- Information about your transactions with or services performed by us, our affiliates, or others, such as information concerning your policy, premiums, payment history, information about your home or other real property, information from lenders and other third parties involved in such transaction, account balances, and credit card information; and
- Information we receive from consumer or other reporting agencies and publicly recorded documents.

**Disclosure of Personal Information**

We may provide your Personal Information (excluding information we receive from consumer or other credit reporting agencies) to various individuals and companies, as permitted by law, without obtaining your prior authorization. Such laws do not allow consumers to restrict these disclosures. Disclosures may include, without limitation, the following:

- To insurance agents, brokers, representatives, support organizations, or others to provide you with services you have requested, and to enable us to detect or prevent criminal activity, fraud, material misrepresentation, or nondisclosure in connection with an insurance transaction;
- To third-party contractors or service providers for the purpose of determining your eligibility for an insurance benefit or payment and/or providing you with services you have requested;
- To an insurance regulatory authority, or a law enforcement or other governmental authority, in a civil action, in connection with a subpoena or a governmental investigation;
- To companies that perform marketing services on our behalf or to other financial institutions with which we have joint marketing agreements and/or
- To lenders, lien holders, judgment creditors, or other parties claiming an encumbrance or an interest in title whose claim or interest must be determined, settled, paid or released prior to a title or escrow closing.

We may also disclose your Personal Information to others when we believe, in good faith, that such disclosure is reasonably necessary to comply with the law or to protect the safety of our customers, employees, or property and/or to comply with a judicial proceeding, court order or legal process.

Disclosure to Affiliated Companies - We are permitted by law to share your name, address and facts about your transaction with other FNF companies, such as insurance companies, agents, and other real estate service providers to provide you with services you have requested, for marketing or product development research, or to market products or services to you. We do not, however, disclose information we collect from consumer or credit reporting agencies with our affiliates or others without your consent, in conformity with applicable law, unless such disclosure is otherwise permitted by law.

Disclosure to Nonaffiliated Third Parties - We do not disclose Personal Information about our customers or former customers to nonaffiliated third parties, except as outlined herein or as otherwise permitted by law.

**Confidentiality and Security of Personal Information**

We restrict access to Personal Information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard Personal Information.

**Access To Personal Information/**

**Requests for Correction, Amendment, or Deletion of Personal Information**

As required by applicable law, we will afford you the right to access your Personal Information, under certain circumstances to find out to whom your Personal Information has been disclosed, and request correction or deletion of your Personal Information. However, FNF's current policy is to maintain customers' Personal Information for no less than your state's required record retention requirements for the purpose of handling future coverage claims.

For your protection, all requests made under this section must be in writing and must include your notarized signature to establish your identity. Where permitted by law, we may charge a reasonable fee to cover the costs incurred in responding to such requests. Please send requests to:

Chief Privacy Officer  
Fidelity National Financial, Inc.  
601 Riverside Avenue  
Jacksonville, FL 32204

**Changes to this Privacy Statement**

This Privacy Statement may be amended from time to time consistent with applicable privacy laws. When we amend this Privacy Statement, we will post a notice of such changes on our website. The effective date of this Privacy Statement, as stated above, indicates the last time this Privacy Statement was revised or materially changed.

## Notice of Available Discounts

Pursuant to Section 2355.3 in Title 10 of the California Code of Regulations Fidelity National Financial, Inc. and its subsidiaries ("FNF") must deliver a notice of each discount available under our current rate filing along with the delivery of escrow instructions, a preliminary report or commitment. Please be aware that the provision of this notice does not constitute a waiver of the consumer's right to be charged the filed rate. As such, your transaction may not qualify for the below discounts.

You are encouraged to discuss the applicability of one or more of the below discounts with a Company representative. These discounts are generally described below; consult the rate manual for a full description of the terms, conditions and requirements for such discount. These discounts only apply to transactions involving services rendered by the FNF Family of Companies. This notice only applies to transactions involving property improved with a one-to-four family residential dwelling.

### **FNF Underwritten Title Company**

CTC – Chicago Title Company

### **FNF Underwriter**

CTIC – Chicago Title Insurance Company

### **Available Discounts**

#### **CREDIT FOR PRELIMINARY REPORTS AND/OR COMMITMENTS ON SUBSEQUENT POLICIES (CTIC)**

Where no major change in the title has occurred since the issuance of the original report or commitment, the order may be reopened within 12 or 36 months and all or a portion of the charge previously paid for the report or commitment may be credited on a subsequent policy charge.

#### **FEE REDUCTION SETTLEMENT PROGRAM (CTC and CTIC)**

Eligible customers shall receive a \$20.00 reduction in their title and/or escrow fees charged by the Company for each eligible transaction in accordance with the terms of the Final Judgments entered in *The People of the State of California et al. v. Fidelity National Title Insurance Company et al.*, Sacramento Superior Court Case No. 99AS02793, and related cases.

#### **DISASTER LOANS (CTIC)**

The charge for a Lender's Policy (Standard or Extended coverage) covering the financing or refinancing by an owner of record, within 24 months of the date of a declaration of a disaster area by the government of the United States or the State of California on any land located in said area, which was partially or totally destroyed in the disaster, will be 50% of the appropriate title insurance rate.

#### **CHURCHES OR CHARITABLE NON-PROFIT ORGANIZATIONS (CTIC)**

On properties used as a church or for charitable purposes within the scope of the normal activities of such entities, provided said charge is normally the church's obligation the charge for an owner's policy shall be 50% or 70% of the appropriate title insurance rate, depending on the type of coverage selected. The charge for a lender's policy shall be 32% or 50% of the appropriate title insurance rate, depending on the type of coverage selected.

**B – DEVELOPER’S COST BUDGET-CANCER  
AND IMAGING CENTER**





**PRELIMINARY DEVELOPMENT BUDGET  
& FINANCIAL ANALYSIS**

**RIO BRAVO MEDICAL CAMPUS, LLC**

**PROJECT: CANCER AND IMAGING CENTER  
LOCATION: BAKERSFIELD, CA**

**DATE OF LAST REVISION  
07/20/2015**

**THE PROJECTIONS CONTAINED HEREIN ARE BASED  
ON ESTIMATES, ASSUMPTIONS AND  
FORECASTS WHICH MAY NOT PROVE TO BE CORRECT.**



OWNER: RIO BRAVO MEDICAL CAMPUS, LLC  
 PROJECT: CANCER AND IMAGING CENTER

LOCATION: BAKERSFIELD, CA  
 REPORT: PRELIMINARY DEVELOPMENT BUDGET

20-Jul-15

Building Size: 66,193

CODE	DESCRIPTION	UNIT	COST @	BUDGET	\$/GSF
<b>1.00</b>	<b><u>DIRECT CONSTRUCTION:</u></b>				
.10	SITE, SHELL, COMMON AREA & ENTRANCE ROAD	66,193	\$124.76	\$11,047,981	\$166.91
.20	RADIATION ONCOLOGY	8,065	240.00	1,935,600	29.24
.30	IMAGING	13,253	200.00	2,650,600	40.04
.40	AMBULATORY SURGERY CENTER (INCLUDES GENERATOR)	8,999	270.00	2,429,730	36.71
.50	HOSPITALITY CENTER	1,996	120.00	239,520	3.62
.60	KERN ADMIN SPACE	4,202	110.00	462,220	6.98
.70	MEDICAL ONCOLOGY & INFUSION	8,104	120.00	972,480	14.69
.80	BILLING DEPARTMENT	3,960	50.00	198,000	2.99
.85	MOB SPACE	5,428	50.00	271,400	4.10
.90	MOB SPACE	3,093	240.00	742,320	11.21
.95	COMMON AREA IMPROVEMENTS (INCLUDED IN SHELL)	9,039	0.00	-	-
.96	OVERSCALE IMPROVEMENTS	11,613	50.00	580,640	8.77
<b>TOTAL DIRECT CONSTRUCTION</b>				<b>\$21,530,491</b>	<b>\$325.27</b>
<b>2.00</b>	<b><u>INDIRECT CONSTRUCTION:</u></b>				
.10	ARCHITECT & ENGINEERING			\$1,541,215	\$23.28
.15	CIVIL ENGINEERING			77,479	1.17
.30	PLAN CHECK/PERMITS/MITIGATION FEES			456,862	6.90
.40	UTILITIES & GOVT.			202,026	3.05
.60	TRAFFIC IMPACT FEE			192,397	2.91
.70	CONSTRUCTION INSURANCE			57,322	0.87
.80	INTERIOR DESIGNER/CONSULTING FEES			606,923	9.17
.90	ENVIRONMENTAL FEES			16,800	0.25
<b>TOTAL INDIRECT CONSTRUCTION</b>				<b>\$3,151,024</b>	<b>\$47.60</b>
<b>3.00</b>	<b><u>FINANCING, O.H. &amp; MARKETING:</u></b>				
.10	REAL ESTATE TAXES DURING CONSTRUCTION			\$27,595	\$0.42
.20	CONSTRUCTION LOAN ORIGATION			138,200	2.09
.25	PERMANENT LOAN ORIGATION			134,218	2.03
.30	CONSTRUCTION PERIOD INTEREST			362,388	5.47
.40	TITLE INSURANCE			38,138	0.58
.50	LENDER INSPECTOR FEES, LEGAL & ACCOUNTING			145,114	2.19
.60	APPRAISAL FEES			30,000	0.45
<b>TOTAL FINANCING, O.H. &amp; MARKETING</b>				<b>\$875,653</b>	<b>\$13.23</b>
<b>4.00</b>	<b><u>LAND</u></b>			<b>\$1,942,780</b>	<b>\$29.35</b>
<b>SUBTOTAL (EXCLUDING LAND)</b>				<b>\$25,557,168</b>	<b>\$386.10</b>
<b>5.00</b>	<b><u>DEVELOPMENT COSTS</u></b>				
.10	REIMBURSABLE			\$268,151	\$4.05
.20	CONTINGENCY			300,560	4.54
<b>TOTAL DEVELOPMENT COSTS</b>				<b>\$568,711</b>	<b>\$8.59</b>
<b>SUBTOTAL</b>				<b>\$26,125,879</b>	<b>\$394.69</b>
<b>6.00</b>	<b><u>DEVELOPER FEE (INCLUDES LAND VALUE)</u></b>			<b>\$2,251,580.00</b>	<b>\$34.02</b>
<b>TOTAL DEVELOPMENT COST (INCLUDING LAND)</b>				<b>\$30,320,239</b>	<b>\$458.06</b>



OWNER: RIO BRAVO MEDICAL CAMPUS, LLC  
 PROJECT: CANCER AND IMAGING CENTER

LOCATION: BAKERSFIELD, CA  
 REPORT: PRELIMINARY PRO FORMA

20-Jul-15

DESCRIPTION	SQ. FT		ANNUAL RSF
<b>INCOME: MEDICAL OFFICE - TRIPLE NET LEASE</b>			
RADIATION ONCOLOGY	8,065	4.80	464,544
COMMON AREA	1,277	2.26	34,632
	<b>9,342</b>	<b>\$4.45</b>	<b>\$499,176</b>
IMAGING	13,253	4.24	674,313
COMMON AREA	2,098	2.26	56,898
	<b>15,351</b>	<b>\$3.97</b>	<b>\$731,210</b>
AMBULATORY SURGERY CENTER (INCLUDES GENERATOR)	8,999	4.91	530,221
COMMON AREA	1,425	2.26	38,646
	<b>10,424</b>	<b>\$4.55</b>	<b>\$568,867</b>
HOSPITALITY CENTER	1,996	2.93	70,179
COMMON AREA	316	2.26	8,570
	<b>2,312</b>	<b>\$2.84</b>	<b>\$78,749</b>
KERN ADMIN SPACE	4,202	2.79	140,683
COMMON AREA	665	2.26	18,035
	<b>4,867</b>	<b>\$2.72</b>	<b>\$158,718</b>
MEDICAL ONCOLOGY & INFUSION	8,104	2.93	284,937
COMMON AREA	1,283	2.26	34,795
	<b>9,387</b>	<b>\$2.84</b>	<b>\$319,732</b>
BILLING DEPARTMENT	3,960	2.00	95,040
COMMON AREA	627	2.26	17,004
	<b>4,587</b>	<b>\$2.04</b>	<b>\$112,044</b>
MOB SPACE	5,428	2.00	130,272
COMMON AREA	859	2.26	23,296
	<b>6,287</b>	<b>\$2.04</b>	<b>\$153,568</b>
MOB SPACE	3,093	4.80	178,157
COMMON AREA	490	2.26	13,289
	<b>3,583</b>	<b>\$4.45</b>	<b>\$191,446</b>
<b>MEDICAL OFFICE GRAND TOTAL</b>	<b>66,140</b>	<b>\$3.54</b>	<b>2,813,510</b>
<b>MEDICAL OFFICE - OVER SCALE</b>	<b>11,613</b>	<b>\$0.71</b>	<b>99,289</b>
<b>GROSS INCOME</b>	<b>66,140</b>	<b>\$3.67</b>	<b>\$2,912,800</b>
<b>LESS OPERATING EXPENSES:</b>			
VACANCY FACTOR	5.00%		(\$145,640)
RESERVE FOR REPAIRS	3.00%		(87,384)
<b>TOTAL EXPENSES</b>			<b>(\$233,024)</b>
<b>NET OPERATING INCOME</b>			<b>\$2,679,776</b>

NET OPERATING INCOME		\$2,679,776
LESS OVER SCALE INCOME		(99,289)
TOTAL NET OPERATING INCOME TO BE CAPITALIZED		\$2,580,486
ECONOMIC VALUE: NOI/CAP RATE	7.00%	\$36,864,090



OWNER: RIO BRAVO MEDICAL CAMPUS, LLC  
PROJECT: CANCER AND IMAGING CENTER

LOCATION: BAKERSFIELD, CA  
REPORT: PRELIMINARY PRO FORMA

20-Jul-15

ADD: NPV OVER SCALE INCOME (\$99,289) RENT INCOME PER YEAR	891,872
TOTAL ECONOMIC VALUE	\$37,755,962
DEBT SERVICE ASSUMPTIONS:	
(1) LOAN TO VALUE	70.00% \$26,429,173
(2) INTEREST RATE	5.00%
(3) AMORTIZATION IN YEARS	25
(4) DEBT SERVICE CONSTANT	7.02%
(5) DEBT YIELD CONSTANT	10.14%
<b>DEBT SERVICE:</b>	<b>\$1,854,027.78</b>
<b>DEBT SERVICE COVERAGE INCLUDING OVER SCALE INCOME:</b>	<b>144.54%</b>
<b>REQUESTED LOAN AMOUNT</b>	<b>\$26,429,173</b>

**C – RENT ROLL**

Rio Bravo Medical Campus, LLC.  
 Building Name: Rio Bravo Cancer & Imaging Center  
 Address: 4500 Morning Drive, Building I, Bakersfield, CA 93306  
 As of: July 20, 2015

RENT ROLL  
 66,139 S.F. - TOTAL BUILDING

Tab #	SUITE	TENANT	USEABLE AREA	SHARE OF COMMON AREA (15.83%)	RENTABLE AREA	TENANT'S SHARE OF BUILDING EXPENSES	MONTHLY BASE RENTAL	MONTHLY ADDITIONAL RENTAL	APPROX RATE PER S.F.	TENANT IMPROVEMENT ALLOWANCE	ADDITIONAL OVERSCALE ALLOWANCE USED	DATES
1	TBD	Advanced Radiosurgery and Radiotherapy Kern, LLC. (Radiation Oncology w/Separate Utility Meter)	8,065	1,277	9,341.69	14.124%	\$41,570.52	\$6,072.10	\$4.45 \$0.65	\$240 per u.s.f.		15 Year Lease Term (NNN) w/ Annual CPI Adjustments
2	TBD	Bakersfield Specialist Surgical Center, LLC (Surgery Center w/Separate Utility Meter)	8,999	1,425	10,424	15.760%	\$48,035.73	\$6,775.30	\$4.55 \$0.65	\$270 per u.s.f.	\$ 42,710.00	15 Year Lease Term (NNN) w/ Annual CPI Adjustments
3	TBD	Kern Radiology Imaging Systems, Inc. (Medical Imaging w/Separate Utility Meter)	13,253	2,098	15,351	23.210%	\$60,943.27	\$9,978.12	\$3.97 \$0.65	\$200 per u.s.f.		15 Year Lease Term (NNN) w/ Annual CPI Adjustments
4	TBD	Kern Radiology Imaging Systems, Inc. - Admin Space Medical Office Space	4,202	665	4,867	7.359%	\$13,238.72	\$3,163.66	\$2.72 \$0.65	\$110 per u.s.f.		10 Year Lease Term (NNN) w/ Annual CPI Adjustments
5	TBD	Opti Max Consulting Services, Inc. (Office - Practice Mgmt & Collections)	3,960	627	4,587	6.935%	\$9,357.21	\$2,981.46	\$2.04 \$0.65	\$50 per u.s.f.		10 Year Lease Term (NNN) w/ Annual CPI Adjustments
6	TBD	Bakersfield Hospitality Center, LLC (Medical Office Space)	1,996	316	2,312	3.496%	\$6,565.99	\$1,502.78	\$2.84 \$0.65	\$120 per u.s.f.		5 Year Lease Term (NNN) w/ Annual CPI Adjustments
7	TBD	Physical Therapy - Pair & Marotta ( w/Separate Utility Meter)	5,428	859	6,287	9.506%	\$12,825.99	\$4,086.71	\$2.04 \$0.65	\$50 per u.s.f.		10 Year Lease Term (NNN) w/ Annual CPI Adjustments
8	TBD	Advanced Radiosurgery and Radiotherapy of Kern II, LLC (Medical Oncology/Infusion Department)	8,104	1,283	9,387	14.193%	\$26,658.69	\$6,101.46	\$2.84 \$0.65	\$120 per u.s.f.		10 Year Lease Term (NNN) w/ Annual CPI Adjustments
9	TBD	Available (Medical Office Space)	3,093	490	3,583	5.417%	\$15,942.67	\$2,328.70	\$4.45 \$0.65	\$240 per u.s.f.		Year Lease Term (NNN) w/ Annual CPI Adjustments
TOTALS			57,100	9,039	66,139	100%	\$235,138.79	\$42,990.30				

Notes: Share of Common Area is not exact and will be adjusted according to the final building floor plans.

Occupied	54,007	8,549	62,556	95%
Available	3,093	490	3,583	5%
	57,100	9,039	66,139	

**D – READDRESSING / REASSIGNING  
APPRAISAL REPORTS**



### **Readdressing/Reassigning Appraisal Reports**

Seevers Jordan Ziegenmeyer adheres to the requirements of the 2012-2013 Edition of the Uniform Standards of Professional Appraisal Practice (USPAP). This edition is effective from 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, Pages A-88 to A-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 Question No. 121, 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.



## **E – GLOSSARY OF TERMS**

## **GLOSSARY OF TERMS**

Unless otherwise noted, the following definitions are from The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

**Aggregate of Retail Values (ARV):** The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent an opinion of value; it is simply the total of multiple market value conclusions.

**As Is Market Value:** The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

**Band of Investment:** A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment.

**Bulk (Discounted) Value:** The most probable price, in a sale of all parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under stress. (Appraisal Standards For Land-Secured Financing, California Department Advisory Commission, 1994)

**Comparative-Unit Method:** A method used to derive a cost estimate in terms of dollars per unit of area or volume based on known costs of similar structures that are adjusted for time and physical differences; usually applied to total building area.

**Cost Approach:** 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.

**Depreciation:** In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

**Direct Capitalization:** A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only a single year's income is used. Yield and value changes are implied but not identified.

**Discounted Cash Flow (DCF) Analysis:** The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.

**Discount Rate:** A yield rate used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*.

**Disposition Value:** The most probable price that a specified interest in real property should bring under the following conditions: 1) consummation of a sale within a future exposure time specified by the client; 2) the property is subjected to market conditions prevailing as of the date of valuation; 3) both the buyer and seller are acting prudently and knowledgeably; 4) the seller is under compulsion to sell; 5) the buyer is typically motivated; 6) both parties are acting in what they consider to be their best interests; 7) an adequate marketing effort will be made during the exposure time specified by the client; 8) payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; 9) 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.

**Easement:** The right to use another's land for a stated purpose.

**Exposure Time:** Estimated length of time that 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. (USPAP 2012-2013 Edition)

**External Obsolescence:** An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, or tenant.

**Extraction:** A method of estimating land value in which the depreciated cost of the improvements on the improved property is calculated and deducted from the total sale price to arrive at an estimated sale price for the land.

**Extraordinary Assumption:** An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. (USPAP

2012-2013 Edition)

**Fair Market Value:** The highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available. (California Code of Civil Procedure, Section 1263.320(a))

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

**Floor Area Ratio (FAR):** The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

**Functional Obsolescence (Incurable):** An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected.

**Highest and Best Use:** The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value.

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

**Highest and Best Use of Land or a Site as though Vacant:** Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

**Hypothetical Condition:** A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. (USPAP 2012-2013 Edition)

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

**Leased Fee Interest:** A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship.

**Leasehold Interest:** The tenant's possessory interest created by a lease. (Negative leasehold: A lease situation in which the market rent is less than the contract rent. Positive leasehold: A lease situation in which the market rent is greater than the contract rent.)

**Liquidation Value:** See *Disposition Value*.

**Marketing Time:** An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

**Neighborhood:** A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.

**Obsolescence:** One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external.

**Prospective Opinion of Value:** A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

**Quantity Survey Method:** A cost-estimating method in which the quantity and quality of all materials used and all categories of labor required are estimated and unit cost figures are applied to arrive at a total cost estimate for labor and materials.

**Replacement Cost:** The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout.

**Reproduction Cost:** The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.

**Sales Comparison Approach:** The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.

**Site Coverage Ratio:** The gross area of the building footprint divided by the site area.

**Stabilized Occupancy:** An expression of the expected occupancy of a property in its particular market considering current and forecasted supply and demand, assuming it is priced at market rent.

**Subdivision Development Method:** A method of estimating land value when subdivision development is the highest and best use of the parcel of land being appraised. When all direct and indirect costs and entrepreneurial incentive are deducted from an estimate of the anticipated gross sales price of the finished lots (or residences), the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the land.

**Superadequacy:** An excess in the capacity or quality of a structure or structural component; determined by market standards.

**Unit-In-Place Method:** A cost-estimating method in which total building cost is estimated by adding together the unit costs for the various building components as installed; also called the *segregated cost method*.

**Yield Capitalization:** A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate.

**Yield Rate:** A rate of return on capital, usually expressed as a compound annual percentage rate. A yield rate considers all expected property benefits, including the proceeds from sale at the termination of the investment.

**F – QUALIFICATIONS OF APPRAISER(S)**



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Jordan  
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## Eric A. Segal, Partner

### Introduction

Mr. Segal is a Certified General real estate appraiser with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for SJZ. By 1999, he began writing narrative appraisal reports covering a variety of income properties. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, Mello-Roos and Assessment Districts, and residential subdivisions. He has developed the experience and background necessary to deal with complex assignments covering an array of property types.

### Professional Affiliations

Candidate for MAI Designation – Appraisal Institute

Certified General Real Estate Appraiser – State of California (No. AG026558)

Real Estate Appraiser - Certified General – State of Nevada (No. A.0207066-CG)

### Education

#### *Academic:*

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

#### *Appraisal and Real Estate Courses:*

Uniform Standards of Professional Appraisal Practice

Appraisal Principles

Basic Income Capitalization

Highest & Best Use and Market Analysis

Advanced Income Capitalization

Report Writing and Valuation Analysis

Appraisal Litigation Practice and Courtroom Management

Computer Enhanced Cash Flow Modeling

Advanced Sales Comparison & Cost Approaches

Advanced Applications



## Sample of Appraisal Experience

Hunters Point Shipyard – Phase I  
San Francisco, San Francisco County, California

This appraisal was completed for use by the developer for determination of possible refinancing of the Redevelopment Agency of the City and County of San Francisco Community Facilities District (CFD) No. 7 (Hunters Point Shipyard) Bonds. The appraised property comprises Phase I of the Hunters Point Shipyard redevelopment area, which is commonly referred to as the Hilltop and Hillside subdivisions, and comprises approximately 75.32 gross acres of land, which includes 23.72± developable acres proposed for the construction of 1,142 residential units in a variety of attached single-family, townhouse and stacked residential units. Specifically, the Hilltop development contains 15.92± acres of land to be developed with 768 residential units, and the Hillside development contains 7.8± acres to be developed with 374 single-family residential units. In addition, Phase I will include 36.0± acres dedicated to parks and open space and 15.6± acres of streets and rights-of-way.

City of San Mateo Community Facilities District No.  
2008-1 (Bay Meadows)  
San Mateo, San Mateo County, California

This appraisal was completed for use in a land-secured financing associated with the development of 52± developable acres proposed for the development of 724,225 square feet of office space, approximately 85,374 square feet of retail space and 1,121 residential housing units, with 832 residential housing units being developed on the residential land component and the balance (289 units) to be developed as part of the mixed-use component. The report was prepared for the City of San Mateo Department of Finance.

City of Redwood City Community Facilities District  
No. 2010-1 (One Marina)  
Redwood City, San Mateo County, California

This appraisal was completed for use in a land-secured financing associated with the development of 16.62± acres proposed for the construction of 231 townhome and flat-style residential units within 24 detached buildings. The report was prepared for the City of Redwood City Department of Finance.

County of San Joaquin Community Facilities District  
No. 2009-2 (Vernalis Interchange)  
Vernalis, San Joaquin County, California

This assignment involved the appraisal of approximately 3,457.41 gross acres of land comprising 40 separate Assessor's parcels devoted to (or intended for) aggregate mining operations by six independent mining operators, including Teichert, West Coast Aggregates, Granite, Knife River, DeSilva Gates and Cemex. The summary appraisal was completed for bond financing purposes, with the proceeds intended to finance the construction of a new interchange on State Route 132 at Bird Road, which is intended to enhance traffic operation safety at this intersection. This report was prepared for the County of San Joaquin.





### Sample of Appraisal Experience (continued)

HUD 223(f) Apartment Portfolio  
San Francisco, San Francisco County, California

This appraisal assignment involved the appraisal of nine multifamily properties in San Francisco containing between seven and 50 units, as well as mixed-use properties including ground floor retail tenants. The self-contained appraisals were completed in compliance with Federal regulatory requirements and guidelines that may apply as well as the requirements of the Federal Housing Administration (FHA) MAP Program for a 223(f) Refinance. This report was prepared for Column Guaranteed, LLC.

The Parkway & Quinto Ranch  
Santa Nella, Merced County, California

This appraisal involved the valuation of a 1,464-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 1,644-acre ranch subject to a conservation easement. This report was prepared for IndyMac Bank.

Reclamation District No. 17 – Mossdale Tract  
(portion)  
County of San Joaquin, California

The appraised properties represented a portion of Reclamation District No. 17 identified as vacant residential, vacant commercial and vacant industrial land, and excluded those properties within the boundaries of the District zoned as agricultural and public use, and those properties with an assessed improvement value on the most recent property tax roll. Reclamation District No. 17 (Mossdale Tract) is located in San Joaquin County and contains approximately 16,107.58 acres of land comprising approximately 13,335 assessor's parcels. This report was prepared for Reclamation District No. 17.

Bickford Ranch Community Facilities District No.  
2003-1  
Placer County, California

The hypothetical market valuation of a proposed master planned community that will include 847.2 acres of land designated for 1,783 residential lots and a 9.7-acre commercial component. The appraisal will be used for bond underwriting purposes and was prepared for the County of Placer.

El Dorado Hills Community Facilities District No.  
1992-1 (portion)  
El Dorado County, California

This assignment involved the hypothetical cumulative, or aggregate, valuation of a sizeable portion of the existing Serrano master planned community. The appraisal included 1,597 single-family residential lots, 382 custom single-family residential lots, 33.05 acres of commercial land and 344 existing single-family residences. The appraisal will be used for bond underwriting purposes and was prepared for the County of El Dorado.



Seevers  
Jordan  
Ziegenmeyer

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### Sample of Appraisal Experience (continued)

Diablo Grande Community Facilities District No. 1  
(Series 2002)  
Stanislaus County, California

The appraisal involved the valuation of a partially improved resort and master planned community offering 1,410 residential lots, multifamily land, commercial land, a hotel site, vineyards and two 18-hole championship golf courses. The appraisal was used for bond underwriting purposes and was prepared for Western Hills Water District.

Plumas Lake Community Facilities District No.  
2002-1  
Yuba County, California

This appraisal included the valuation of a portion of the proposed, and partially improved, Plumas Lake Specific Plan area, and comprised 3,314 detached single-family residential lots. The appraisal was used for bond underwriting purposes and was prepared for the Olivehurst Public Utility District.

Patterson Gardens & Keystone Pacific Business  
Park  
Patterson, Stanislaus County, California

This appraisal involved the valuation of a 985-lot single-family residential master planned community that included residential, commercial and public use components, and a non-contingent 224-acre industrial park. This report was prepared for Bank of America.



Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

Eric A. Segal

has successfully met the requirements for a license as a residential and commercial 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.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2015  
Date Expires: February 18, 2017

  
Jim Martin, Bureau Chief, BREA

3017902



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## Sara Gilbertson, Appraiser

### Introduction

Ms. Gilbertson is a licensed appraiser with Seevers Jordan Ziegenmeyer, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. She joined the firm in April 2011 after completing her bachelor's degree at California State University, Sacramento and has been writing narrative appraisal reports for a variety of commercial properties. She is now involved in appraisal assignments covering office, retail, industrial, land and mixed-use properties, as well as special-use properties including self-storage facilities, hotels and mobile home parks. Ms. Gilbertson has developed the experience and background necessary to deal with complex assignments covering an array of property types.

### Professional Affiliations

Certified General Real Estate Appraiser - State of California (No. 3002204)

### Education

#### *Academic:*

Bachelor of Science in Business Administration (Concentration in Real Estate and Land Development),  
California State University, Sacramento

#### *Appraisal Institute Courses:*

Basic Appraisal Principles  
Basic Appraisal Procedures  
Uniform Standards of Professional Appraisal Practice  
Real Estate Finance and Statistics and Valuation Modeling  
Sales Comparison Approach  
Report Writing and Case Studies  
Market Analysis and Highest and Best Use  
Site Valuation and Cost Approach  
Basic Income Capitalization  
Expert Witness for Commercial Appraisers  
Commercial Appraisal Review



## Sample of Appraisal Experience

27-Room Hotel  
Stockton, California

In this assignment for Wells Fargo Bank, we estimated the market value of the going concern of 27-room, limited service hotel. The market value of the going concern was also allocated between real property, FF&E (personal property), and business enterprise.

76,971 SF Multi-Building Office Complex  
Sacramento, California

This appraisal involved the valuation of a three, multi-tenant office buildings. In this assignment, we estimated the market value of the leased fee interest in the property as of a current inspection date, and the prospective market value upon stabilized occupancy. The as-is and prospective values were provided for each building, as well as in bulk. The client for this assignment was Mechanics Bank.

120,944 SF Office Building & 6,000 SF Bank Building  
Modesto, California

In this assignment for Bank of America, the subject property consisted of a five-story medical office building and a free standing bank branch building. We estimated the hypothetical market value of the property as if stabilized, the as-is market value, and the prospective market value upon stabilized occupancy.

14,703 SF Retail Building (Proposed)  
Escalon, California

This report involved the valuation of a commercial-zoned site proposed for development of a single tenant retail building with a credit tenant in place (build-to-suit). The valuation scenarios included the prospective market value (leased fee interest) upon completion of construction and at stabilized occupancy, the hypothetical market value (leased fee interest) at completion of construction and stabilized occupancy, and the as-is market value of the land (fee simple interest). The client for this assignment was Wells Fargo.

Commercial Laundry Facility  
Gilroy, California

This report involved the valuation of a two-building commercial laundry facility. We estimated the retrospective market value of the leased fee interest. The client was Libitzky Property Companies.

Mobile Home Park  
Lakeport, California

This assignment involved the valuation of multifamily project consisting of 19 income producing mobile home lots and two for-ret duplexes (or four apartment units). The valuation involved the prospective market value upon stabilized occupancy and the as-is market value which accounted for the renovation of the duplex units and deferred maintenance.

Mixed-Use Commercial Development (Proposed)  
Fresno, California

This appraisal involved the valuation of an 87.32 acre portion of master planned community proposed for retail, office, and multifamily development, as well as a plaza, lake, and recreation area. The valuation of multifamily parcels included some second level ("air rights") area. We estimated the as-is market value, hypothetical market values assuming all backbone infrastructure is in place in bulk, by parcel and the aggregate retail value. This report was prepared for Wells Fargo.





Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

Sara A. Gilbertson

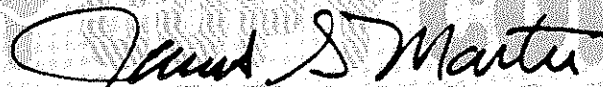
has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3002204

Effective Date: May 30, 2014  
Date Expires: May 29, 2016

  
Jim Martin, Bureau Chief, BREA

3014669

**APPENDIX C**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

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**RATE AND METHOD OF APPORTIONMENT FOR  
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
COMMUNITY FACILITIES DISTRICT NO. 2015-02  
(RIO BRAVO)  
CITY OF BAKERSFIELD, COUNTY OF KERN**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Community Facilities District No. 2015-02 (Rio Bravo), City of Bakersfield, County of Kern ("CFD No. 2015-02") and collected each Fiscal Year commencing in Fiscal Year 2015-16, 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. 2015-02 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. 2015-02: 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. 2015-02, or any designee thereof of complying with arbitrage rebate requirements; the costs to CSCDA, CFD No. 2015-02, or any designee thereof of complying with CSCDA, CFD No. 2015-02, 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. 2015-02, 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. 2015-02 for any other administrative purposes of CFD No. 2015-02, 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 CFD No. 2015-02, 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. 2015-02”** means CSCDA Community Facilities District No. 2015-02.

**“CFD No. 2015-02 Bonds” or “Bonds”** means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2015-02 under the Act and secured by the Special Taxes on the property within CFD No. 2015-02.

**“City”** means the City of Bakersfield.

**“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 Kern.

**“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, exclusive of Taxable Public Property and Taxable Property Owner Association Property, for which the Final Subdivision was recorded on or prior to January 1 of the prior Fiscal Year and a building permit for new construction was issued after January 1, 2015 and prior to May 1 of the prior Fiscal Year.

**“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, 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 Taxable Property.

**“Non-Residential Floor Area”** means the total building square footage of the non-residential building(s) located on an Assessor’s Parcel, measured from outside wall to outside wall, not including space devoted to stairwells, public restrooms, lighted courts, vehicle parking, and areas incident thereto, and mechanical equipment incidental to the operation of such building. The determination of Non-Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor’s Parcel and/or to the appropriate records kept by the City, as reasonably 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.

**“Outstanding Bonds”** means all CFD No. 2015-02 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. 2015-02 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 CSCDA Program Manager 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 13.93 acres, as described in Section E 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. The term “Proportionately” may similarly be applied to other categories of Taxable Property as listed in Section C below.

**“Public Property”** means, for each Fiscal Year, any property within the boundaries of CFD No. 2015-02 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 13.93 acres, as described in Section E 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 in CFD No. 2015-02 to fund the Special Tax Requirement.

**“Special Tax Requirement”** means that amount required in any Fiscal Year for CFD No. 2015-02 to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the CFD No. 2015-02 Bonds, including but not limited to, credit enhancement and rebate payments on the CFD No. 2015-02 Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; and (v) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vi) 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

**“Taxable Property”** means all of the Assessor’s Parcels within the boundaries of CFD No. 2015-02 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, exclusive of Taxable Public Property and Taxable Property Owner Association Property, not classified as Developed Property.

**B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Taxable Property within CFD No. 2015-02 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 D, below.

**C. MAXIMUM SPECIAL TAX RATE**

Prior to the issuance of the first series of CFD No. 2015-02 Bonds, the Maximum Special Taxes for Taxable Property (set forth in Table 1) shall 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 permitted under the Act.

After (i) the issuance of the first series of CFD No. 2015-02 Bonds, (ii) the classification of all Assessors Parcels of Undeveloped Property to either Residential Property or Non-Residential Property, and (iii) the determination by CSCDA that no additional bonds can or will be issued by CFD No. 2015-02, the CSCDA Program Manager shall reduce the per square foot and per Acre Maximum Special Tax for Non-Residential Property and Residential Property/Taxable Property Owner Association Property/Taxable Public Property/Undeveloped Property (as reflected in Table 1), to an amount that if levied on Taxable Property within CFD No. 2015-02 (after excluding 13.93 Acres of Public Property and Property Owner Association Property as set forth in Section E) after such reduction, would equal at least 1.1 times the maximum annual debt service on all Outstanding Bonds, as outlined in the relevant Indenture, plus the Administrative Expenses.

The reductions required pursuant to this Section C shall be reflected in an amended notice of special tax lien which CSCDA shall cause to be recorded by executing a certificate in substantially the form attached herein as Exhibit A.

**1. Taxable Property**

(a). Maximum Special Tax

The Maximum Special Tax that may be levied in any Fiscal Year for each Assessor’s Parcel classified as Taxable Property in CFD No. 2015-02 is shown below in Table 1.

**TABLE 1**  
**Maximum Special Tax for Developed Property and Undeveloped Property**  
**CFD No. 2015-02**  
**Fiscal Year 2015-16**

<b>Land Use Class</b>	<b>Maximum Special Tax</b>
Non-Residential Property	\$11.33 per square foot of Non-Residential Floor Area or \$163,297 per Acre, when applied, whichever is greater
Residential Property/Taxable Property Owner Association Property/Taxable Public Property/Undeveloped Property	\$163,297 per Acre

**D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

Commencing with Fiscal Year 2015-16 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 until (i) the total Special Taxes levied under this step equal to the Special Tax Requirement, or (ii) the Special Tax levied on Developed Property equals 100% of the Maximum Special Tax on such Developed Property, whichever occurs first.

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 (i) the total Special Taxes levied under the first step listed in this Section D are equal to the Special Tax Requirement, or (ii) the Special Tax levied on Undeveloped Property equals 100% of the Maximum Special Tax on such Undeveloped Property, whichever occurs first.

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Taxable Property Owner Association Property shall be levied Proportionately until the lesser of (i) the total Special Taxes levied under the first three steps listed in this Section D equal the Special Tax Requirement, or (ii) the Special Taxes levied on all Taxable Property Owner Association Property equal 100% of the Maximum Special Tax for Property Owner Association Property, whichever occurs first.

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Taxable Public Property shall be levied Proportionately until (i) the total Special Taxes levied under the first four steps listed in this Section D are equal to the Special Tax Requirement, or (ii) the Special Taxes levied on all Taxable Public Property equal 100% of the Maximum Special Tax for Taxable Public Property, whichever occurs first.

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 is no longer required to levy the Special Tax beyond the first step (above) in order to meet the Special Tax Requirement; and (ii) all authorized CFD No. 2015-02 Bonds already been issued or the Commission has covenanted that it will not issue any additional CFD No. 2015-02 Bonds (except refunding bonds) to be supported by the Special Tax.

**E. EXEMPTIONS**

No Special Tax shall be levied on up to 13.93 Acres of Public Property or Property Owner Association Property in CFD No. 2015-02. Tax-exempt status will be assigned by the

CSCDA Program Manager in the chronological order in which property in CFD No. 2015-02 becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel in CFD No. 2015-02 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. 2015-02 Bonds, the CSCDA Program Manager may increase the final number of tax-exempt acres of Public Property and Property Owner Association Property in CFD No. 2015-02 to better reflect the actual tax-exempt acreage within CFD No. 2015-02. However, after the issuance of a first series of CFD No. 2015-02 Bonds, Public Property and Property Owner Association Property that exceed the 13.93 Acre limit shall be taxed as Non-Residential Property under the 3<sup>rd</sup> and 4<sup>th</sup> Step in Section D.

#### **F. 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.

#### **G. 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. 2015-02 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.

## H. PREPAYMENT OF SPECIAL TAX

The following additional definitions apply to this Section H:

**“Buildout”** means, for CFD No. 2015-02, that all expected building permits have been issued.

**“CFD Public Facilities”** means either \$12,800,000 in 2015 dollars, which shall increase by the Construction Inflation Index on July 1, 2016, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CSCDA Program Manager as sufficient to provide the public facilities to be provided by CFD No. 2015-02 under the authorized bonding program for CFD No. 2015-02, or (ii) shall be determined by the Commission concurrently with a covenant that it will not issue any more Bonds (except refunding bonds) to be supported by the Special Tax levied under this Rate and Method of Apportionment as described in Section C.

**“Construction Inflation Index”** means the annual 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.

**“Future Facilities Costs”** means the CFD Public Facilities minus (i) public facility costs previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance the cost of CFD Public Facilities.

**“Improvement Fund”** means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct CFD Public Facilities eligible under the Act.

**“Previously Issued Bonds”** means, for any Fiscal Year, all Outstanding Bonds that 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**

The obligation of an Assessor’s Parcel to pay the Special Tax may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made only for Assessor’s Parcels of Developed Property or 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 for such Assessor’s Parcel. The CSCDA Program Manager may charge a reasonable fee for providing this service. Prepayment must be made not less than forty-five (45) days prior to the next



occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture.

The Special Tax 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	Special Tax Prepayment Amount

As of the proposed date of prepayment, the Special Tax 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 current Fiscal Year applicable for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property (for which a building permit has been issued) to be prepaid, compute the Maximum Special Tax for the current Fiscal Year applicable for that Assessor's Parcel as though it was already designated as Developed Property, based upon such building permit.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Tax for CFD No. 2015-02 based on the Developed Property Special Tax which could be levied in the current Fiscal Year on all expected development through Buildout, excluding any Assessor's Parcels the Special Tax for which have been prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the Previously Issued Bonds to compute the amount of Previously Issued 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 (e.g., the redemption price-100%), if any, on the Previously Issued 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 not covered by the current Fiscal Year Special Taxes until the earliest redemption date for the Previously Issued Bonds.
9. Determine the Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Compute the minimum amount the CSCDA Program Manager reasonably expects to derive from the reinvestment of the Special Tax Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Previously Issued 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. The administrative fees and expenses of CFD No. 2015-02 are as calculated by the CSCDA Program Manager and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "*Administrative Fees and Expenses*").
13. The reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Previously Issued Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Previously Issued Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero. No Reserve Fund Credit shall be granted such that the amount then on deposit in the reserve fund for the Previously Issued Bonds drops below 100% of the reserve requirement (as defined in the Indenture).
14. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following 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 or account under the Indenture after such first interest and/or principal payment (the "*Capitalized Interest Credit*").
15. The Special Tax Prepayment Amount 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 "*Special Tax Prepayment Amount*").
16. From the Special Tax Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Previously Issued Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall

be deposited into the Improvement Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2015-02.

The Special Tax Prepayment Amount may be insufficient to redeem a full \$5,000 increment of 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.

Upon confirmation 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 the Special Tax 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, at the time of such proposed prepayment, the amount of Maximum Special Tax that may be levied on Taxable Property within CFD No. 2015-02 (after excluding 13.93 Acres of Public Property and Property Owner Association Property as set forth in Section E) both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Previously Issued Bonds, plus the Administrative Expenses.

## **2. Prepayment in Part**

The Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. 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 Special Tax Prepayment Amount calculated according to Section H.1

A = the Administrative Fees and Expenses calculated according to Section H.1

F = the percentage, expressed as a decimal, by which the owner of the Assessor's Parcel is partially prepaying the Special Tax.

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. The CSCDA Program Manager shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. 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. 2015-02 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 D.

**I. TERM OF SPECIAL TAX**

The Special Tax shall be levied upon an Assessor's Parcel of Developed Property for a maximum of forty (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. 2015-02 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 D.

# EXHIBIT A

## CERTIFICATE TO AMEND SPECIAL TAX

### CSCDA CFD No. 2015-02 TAX REDUCTION CERTIFICATE

1. Pursuant to Sections C and D of the Rate and Method of Apportionment, as attached to the Notice of Special Tax Lien, recorded in the Official Records of the County of Kern as Instrument No. XXXXXX on MM/DD/YYYY, the California Statewide Communities Development Authority ("CSCDA") hereby reduces the Maximum Special Taxes for Developed Property within CFD No. 2015-02 set forth in Table 1 of the Rate and Method of Apportionment for CFD No. 2015-02.

The information in Table 1 relating to the Maximum Special Tax for Developed Property within CFD No. 2015-02 shall be amended and restated in full as follows:

**TABLE 1**

**Reduced Maximum Special Taxes for Developed Property CFD No. 2015-02  
All Fiscal Years**

<b>Land Use Class</b>	<b>Maximum Special Tax</b>
Non-Residential Property	\$_____ per square foot of Non-Residential Floor Area or \$_____ per Acre, when applied, whichever is greater
Residential Property/Taxable Property Owner Association Property/Taxable Public Property/Undeveloped Property	\$_____ per Acre

2. Upon execution of the certificate by CSCDA and CFD No. 2015-02, CSCDA shall cause an amended notice of special tax lien for CFD No. 2015-02 to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of CSCDA and CFD No. 2015-02, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

By: \_\_\_\_\_

Date: \_\_\_\_\_

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**APPENDIX D**

**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. 2015-02  
(Rio Bravo)  
Special Tax Bonds, Series 2015A  
(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 \$\_\_\_\_\_ aggregate principal amount of its Community Facilities District No. 2015-02 (Rio Bravo) Special Tax Bonds, Series 2015A (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 Wilmington Bank Trust National Association, as trustee, dated as of August 1, 2015 (the "Indenture"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto 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, receivership, 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), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, 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 tax 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 of 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 amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per



## APPENDIX E

### 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, as applicable, the City Acquisition Agreement or the CSD Acquisition Agreement.

“Acquisition and Construction Fund” means the “CSCDA/Rio Bravo 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 2015A Bonds that are issued pursuant to the Indenture.

“Administrative Expenses” means the following actual or reasonably estimated costs directly related to the administration of the Community Facilities District: 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 Community Facilities District, 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 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 twenty million dollars (\$20,000,000) 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 on July 23, 2015. “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 such officer’s designee.

“Certificate of the CSD” means an instrument in writing signed by the CSD General Manager or such officer’s designee.

“City” means the City of Bakersfield, California.

“City Acquisition Agreement” means that certain Acquisition Agreement, dated as of August \_\_, 2015, among the Authority, the City and the Developer.

“City Acquisition and Construction Account” means the “City Acquisition and Construction Account” established within the Acquisition and Construction Fund pursuant to the Indenture and maintained by the Trustee.

“Closing Date” means, with respect to the Series 2015A Bonds, the date upon which the Series 2015A Bonds are delivered and, with respect to any Additional Bonds, will have the meaning given to such term in the Supplemental Indenture providing for the issuance of such Additional Bonds.

“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. 2015-02 (Rio Bravo), City of Bakersfield, County of Kern, 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” means all costs and expenses payable by or reimbursable to the Authority that are related to the formation of the Community Facilities District or the authorization, sale, execution, authentication, or initial delivery of Bonds, including costs of preparation and reproduction of documents, rating agency fees (if any), filing fees, fees, and charges of the Trustee (including fees and expenses of its counsel), legal fees and charges and fees and charges of other consultants and professionals, together with all costs for the preparation of Bonds, and any other cost or expense in connection with the formation of the Community Facilities District or the authorization, sale, execution, authentication, or initial delivery of Bonds.

“Costs of Issuance Account” means the CSCDA/City of Bakersfield Rio Bravo Community Facilities District Costs of Issuance Account established pursuant to the Indenture and maintained by the Trustee.

“CSD” means the East Niles Community Service District.

“CSD Acquisition Agreement” means that certain Acquisition Agreement, dated as of August \_\_, 2015, among the Authority, CSD and the Developer.

“CSD Acquisition and Construction Account” means the “CSD Acquisition and Construction Account” established within the Acquisition and Construction Fund 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 Bonds to refund Outstanding 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 Rio Bravo Medical Campus, LLC, a California limited liability company.

“Event of Default” means an event described as such in the Indenture.

“Expense Fund” means the CSCDA/City of Bakersfield Rio Bravo 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.

“Improvements” means the public capital improvements authorized to be financed by the Community Facilities District, as more particularly described in the Resolution of Formation.

“Indenture” means the Indenture, dated as of August 1, 2015, 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 March 1, 2016, 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 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.

“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 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.

“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 Bakersfield Rio Bravo 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 or San Francisco, 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. 2015-02 (Rio Bravo) City of Bakersfield, County of Kern” 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 Bakersfield Rio Bravo 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 Bakersfield Rio Bravo Community Facilities District Redemption Fund established pursuant to the Indenture and maintained by the Trustee.

“Required Bond Reserve” means, as of any date of calculation, an amount equal to the lesser of (a) Maximum Annual Debt Service or (b) 125% of Average Annual Debt Service; provided that upon the issuance of any Series of Additional Bonds, the Required Bond Reserve shall not be required to be funded or increased by an amount greater than 10% of the proceeds of that Series.

“Reserve Fund” means the CSCDA/City of Bakersfield Rio Bravo Community Facilities District Reserve Fund established pursuant to the Indenture and maintained by the Trustee.

“Resolution of Formation” means Resolution No. 15R-40, adopted by the Commission on July 23, 2015.

“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 2015A 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.

“Sinking Account” means the account referred to by that name in the Redemption Fund established pursuant to the Indenture.

“Special Tax” means the special tax levied within the Community Facilities District to fund the Special Tax Requirement.

“Special Tax Fund” means the California Statewide Communities Development Authority Community Facilities District No. 2015-02 (Rio Bravo) 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 Standard and Poor’s Financial Services LLC business, 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 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 each certificate delivered upon the issuance of Bonds relating to Section 148 of the Code.

“Taxable Property” has the meaning given in the Rate and Method.

“Trustee” means Wilmington Trust, National Association, 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.

“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 Administrative Expenses incurred by the Authority and the Trustee related to the replacement of any Bond so mutilated, destroyed, stolen or lost, 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 Administrative 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.

### **Bond Proceeds**

Upon the receipt of payment of the proceeds of sale of the Series 2015A 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 Bakersfield Rio Bravo 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 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 Bakersfield Rio Bravo 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 2015A 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. Any Supplemental Indenture may reopen or create a new Costs of Issuance Account with respect to Additional Bonds.

#### The Acquisition Fund

The “CSCDA/Rio Bravo Community Facilities District Acquisition and Construction Fund” (the “Acquisition and Construction Fund”), and within the Acquisition and Construction Fund, the “City Acquisition and Construction Account” (the “City Acquisition and Construction Account”) and the “CSD Acquisition and Construction Account” (the “CSD Acquisition and Construction Account”), into which accounts 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 accordance with the following paragraphs 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 repayment of funds advanced to or for the Community Facilities District, not to exceed the amount on deposit in the Acquisition and Construction Fund.

Amounts in the City Acquisition and Construction Account shall be applied by the Trustee as directed in a City Disbursement Request of the City, as defined in and pursuant to the City Acquisition Agreement among the Authority, the City and the Developer. Any amount remaining in the City Acquisition and Construction Account 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 City Acquisition and Construction Account after all Series 2015A Bonds and all Additional Bonds have been paid and retired shall be deposited in the Expense Fund.

Amounts in the CSD Acquisition and Construction Account shall be applied by the Trustee as directed in a CSD Disbursement Request of the CSD, as defined in and pursuant to the CSD Acquisition Agreement among the Authority, the CSD and the Developer. Any amount remaining in the CSD Acquisition and Construction Account after the completion of its purpose, which completion shall be conclusively evidenced by a Certificate of the CSD, shall be transferred by the Trustee to the Special Tax Fund, except that any amounts remaining in the CSD Acquisition and Construction Account after all Series 2015A 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 Bakersfield Rio Bravo 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 Revenues (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 Revenues, all funds and accounts established to hold Special Tax Revenues 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 Revenues, the funds and accounts established to hold Special Tax Revenues, 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 Special Tax Revenues 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 Special Tax Revenues 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 Bakersfield Rio Bravo 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 Special Tax Revenues 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 Special Tax Revenues 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, including each account therein;

- 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 Kern;
- The total amount of Special Tax due, the total amount of unpaid Special Tax, and whether the Special Tax is 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.

#### 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 Community Facilities 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 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 Kern relating to the collection of the Special Tax in the Community Facilities District 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 any Series of 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**

Wilmington Trust, National Association 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, the City or the CSD 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, the City and the CSD 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 the Indenture, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything 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 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 Special Tax Revenues 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 Additional Bonds for any of the Bonds and to provide the conditions and terms under which such Additional 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 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.

### **Events of Default and Remedies of Holders**

#### Events of Default Remedies

If one or more of the following events shall happen, that is to say -

- if default shall be made by the Authority in the due and punctual payment of any interest on or principal of or Mandatory Sinking Account Payment for any of the Bonds when and as the same shall become due and payable; or
- if default shall be made by the Authority in the observance or performance of any of the other agreements or covenants contained in the Indenture required to be observed or performed by it, and such default shall have continued for a period of thirty (30) days after the Authority shall have been given notice in writing of such default by the Trustee;

then in each and every such case during the continuance of such Event of Default 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



Special Tax Revenues 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 pursuant to 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 accordance with a written direction of the Authority all money or securities held by it pursuant hereto 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 irrevocably instructed the Trustee to mail pursuant to the Indenture a notice of redemption to the respective Holders of all such Outstanding Bonds, (2) there shall have been deposited with an escrow agent or the Trustee either (i) money in an amount which shall be sufficient or (ii) 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, 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, 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 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 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.

#### **Miscellaneous**

##### Liability of Authority Limited to Special Tax Revenues

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 Special Tax Revenues 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 Special Tax Revenues and such other funds, and the Authority is not obligated to pay them except from the Special Tax Revenues 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 Special Tax Revenues 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 Special Tax Revenues 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.

## CITY ACQUISITION AGREEMENT

*The Authority, the City and the Developer have entered into an Acquisition Agreement (the "City Agreement") dated \_\_\_\_\_, 2015 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.

"Acquisition and Construction Fund" means the "CSCDA/Rio Bravo Community Facilities District Acquisition and Construction Fund" established by the Authority pursuant to the Authority Indenture and the City Agreement.

"Acquisition Improvement" means a public capital improvement described in Exhibit A to the City Agreement.

"Acquisition Price" means the total amount eligible to be paid to the Developer upon acquisition of an Acquisition Improvement as provided in the City 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.

"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, 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 City 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, financial, appraisal 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 City Agreement, as may be revised by the City Engineer.

"Agreement" means the Acquisition Agreement, dated as of \_\_\_\_\_, 2015.

"Authority Indenture" means an Indenture entered into by the Authority and an Authority Trustee in connection with the issuance of bonds.

"Authority Trustee" means the Trustee identified in the Authority 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 Bakersfield.

“City Acquisition and Construction Account” means the “City Acquisition and Construction Account” established within the Acquisition and Construction Fund pursuant to the Authority Indenture and the City Agreement for the purpose of paying the Acquisition Price of the Acquisition Improvements.

“City Engineer” means the City Engineer of the City of Bakersfield or his/her designee who will be responsible for administering the acquisition of the Acquisition Improvements under the City Agreement.

“Disbursement Request Form” means a requisition for payment of funds from the City Acquisition and Construction Account within the Acquisition and Construction Fund for an Acquisition Improvement, or an Eligible Portion thereof in substantially the form contained in Exhibit B to the City Agreement.

“Eligible Portion” means each portion of an Acquisition Improvement eligible for Installment Payments prior to completion of the entire Acquisition Improvement described as eligible, discrete and usable portions in Exhibit A to the City Agreement.

“Installment Payment” means an amount equal to ninety percent (90%) of the Actual Cost of an Eligible Portion.

“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 annual special taxes, and prepayments thereof, authorized by the Community Facilities District to be levied by the Commission of the Authority.

“Title Documents” means, for each Acquisition Improvement acquired under the City 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.

### **City Acquisition and Construction Account within the Acquisition and Construction Fund**

Upon the issuance of the Bonds, the Authority will cause the Authority Trustee to establish and maintain the Acquisition and Construction Fund and the City Acquisition and Construction Account within the Acquisition and Construction Fund for the purpose of holding all funds for the Acquisition Improvements. All earnings on amounts in the Acquisition and Construction Fund shall remain in the Acquisition and Construction Fund for use as provided in the City Agreement and pursuant to the Authority Indenture. Money in the Acquisition and Construction Fund shall be 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 completion of all of the Acquisition Improvements and the payment of all costs thereof, any remaining funds in the Acquisition and Construction Fund (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 Taxes as the Authority shall determine.

### **Contracting**

The Developer has awarded and administered, or will award and administer, engineering design contracts for the Acquisition Improvements to be acquired from the Developer. 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. In order to assure compliance with those provisions, except for any contracts entered into prior to the date of the City Agreement, the Developer agrees to comply with the requirements set forth in the City Agreement with respect to the bidding and contracting for the construction of the Acquisition Improvements. The Developer agrees that all the contracts shall call for payment of prevailing wages as required by the Labor Code of the State of California. The Developer's indemnification obligation set forth in the City Agreement shall also apply to any alleged failure to comply with the requirements of this paragraph and/or applicable State laws regarding public contracting and prevailing wages.

### **Sale of Acquisition Improvements**

The Developer agrees to sell to the City each Acquisition Improvement to be constructed by Developer (including any rights-of-way or other easements necessary for the Acquisition Improvements, to the extent not already publicly owned), when the Acquisition Improvement is completed 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 City Agreement and incorporated therein, contains a list of the Acquisition Improvements. Portions of an Acquisition Improvement eligible for Installment Payments prior to completion of the entire Acquisition Improvement are described as eligible, discrete and usable portions in Exhibit A of the City Agreement (each, an "Eligible Portion"). At the time of completion of each Acquisition Improvement, or Eligible Portion thereof, the Developer shall deliver to the City Engineer a written request for acquisition, accompanied by an Actual Cost Certificate, and by 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, may have been incurred pursuant to single contracts that include work relating also to the private portions of the Project. In those instances, the total costs under such contracts will be allocated to each Acquisition Improvement based on the methodology specified in Exhibit A to the City 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. Amounts allocated to an Acquisition Improvement will be further allocated among the Eligible Portions of that Acquisition Improvement, if any, in the same proportion as the amount to be reimbursed for hard costs for each Eligible Portion bears to the amount to be reimbursed for hard costs for the entire 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.

### **Conditions Precedent to Payment of Acquisition Price**

Payment to the Developer or its designee of the Acquisition Price for an Acquisition Improvement from the City Acquisition and Construction Account within the Acquisition and Construction Fund 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 none of 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) comprising the Acquisition Improvement, and the property which is subject to the special taxes of the Community Facilities District, is not subject to any prospective mechanics lien claim respecting the Acquisition Improvements.

The Developer shall be current in the payment of all due and payable general property taxes, and all special taxes 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 City with Title Documents needed to provide the City 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. The Developer shall provide a policy of title insurance as of the date of transfer in a form acceptable to the City Engineer and the City Attorney insuring the City as to the interests acquired in connection with the acquisition of any interest for which such a policy of title insurance is not required by another agreement between the City and the Developer. Each title insurance policy required hereunder shall be in the amount equal to the Acquisition Price. The amount paid to the Developer or its designee upon satisfaction of the foregoing conditions precedent shall be the Acquisition Price less all Installment Payments paid previously with respect to the Acquisition Improvement.

### **Payment for Eligible Portions**

The Developer may submit an Actual Cost Certificate to the City Engineer with respect to any Eligible Portion. Payment to the Developer or its designee from the City Acquisition and Construction Account within the Acquisition and Construction Fund of an Installment Payment with respect to such Eligible Portion shall in every case be conditioned first upon the determination of the City Engineer, pursuant to the City Agreement, that the Eligible Portion has been completed in accordance with the applicable plans and specifications and that the Eligible Portion satisfies all City regulations and ordinances and is otherwise complete and, where appropriate, is 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 Eligible Portion, to the extent not already owned by the City) comprising the Eligible Portion is not subject to any prospective mechanics lien claim respecting the Eligible Portion.

The Developer shall be current in the payment of all due and payable general property taxes, and all special taxes 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 City with Title Documents needed to provide the City with title to the site, right-of-way, or easement upon which the subject Eligible Portion is situated. All such Title Documents shall be in a form acceptable to the City Engineer and shall be sufficient, upon completion of the Acquisition Improvement of which the Eligible Portion is a part, to convey Acceptable Title.

Payment and performance bonds, from a bonding company with an A.M. Best rating of at least "A-" or its equivalent, applying to plans and specifications for the Acquisition Improvement approved by the City, shall be in place to secure completion of the Acquisition Improvement of which the Eligible Portion is a part.

### **Disbursement Request Form**

Upon a determination by the City Engineer to pay the Acquisition Price of an Acquisition Improvement or to pay an Installment Payment for an Eligible Portion, the City Engineer shall cause a Disbursement Request Form substantially in the form attached to the City 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 Authority Indenture. The Authority, the City and the Developer acknowledge and agree that 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 or Eligible Portion has been completed or what the Actual Costs may be with respect to the Acquisition Improvement or Eligible Portion. 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 or the Installment Payment for an Eligible Portion is in excess of the Available Amount, the Authority Trustee shall withdraw all funds remaining in the City Acquisition and Construction Account within the Acquisition and Construction Fund and shall transfer those amounts 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 and Construction Fund from a subsequent issuance of Bonds or from Special Tax revenues, if either of those 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 City Acquisition and Construction Account within the Acquisition and Construction Fund.

### **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 City 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 Authority or its officers, employees, agents or any consultants or contractors, including the Authority Trustee, and for any wrongful acts, willful misconduct, active negligence or omissions to act of the City, or its officers, employees, agents or any consultants or contractors, including the Authority Trustee.

### **Successors and Assigns**

The City 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 City 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 City Agreement may pursue any remedy at law or equity available for the breach of any provision of the City 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 City 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 City Agreement.

### **Liability of Developer**

Notwithstanding anything to the contrary in the City Agreement or any other agreement, document, instrument or certificate executed in connection with the City Agreement, no present or future “Constituent Member” (as hereinafter defined) in Developer, nor any present or future shareholder, officer, director, employee, trustee, beneficiary, advisor, member, partner, principal, participant or agent of or in Developer or of or in any person or entity that is or becomes a Constituent Member in Developer, shall have any personal liability, directly or indirectly, under or in connection with the City Agreement or any other agreement, document, instrument or certificate executed in connection with the City Agreement, or any amendment or amendments to any of the foregoing made at any time or times, theretofore or thereafter, and the City and the Authority each on behalf of itself and its successors and assigns, waives any and all such personal liability. The term “Constituent Member” shall mean any direct member in Developer and any person or entity that, directly or indirectly through one or more other partnerships, limited liability companies or other entities is a member in Developer.

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## CSD ACQUISITION AGREEMENT

*The Authority, the CSD and the Developer have entered into an Acquisition Agreement (the “CSD Agreement”) dated \_\_\_\_\_, 2015 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, assessments, whether any such item is recorded or unrecorded, and taxes arising after the date of the CSD Agreement.

“Acquisition and Construction Fund” means the “CSCDA/Rio Bravo Community Facilities District Acquisition and Construction Fund” established by the Authority pursuant to the Authority Indenture and the CSD Agreement.

“Acquisition Improvement” means a public capital improvement described in Exhibit A to the CSD Agreement.

“Acquisition Price” means the total amount eligible to be paid to the Developer upon acquisition of an Acquisition Improvement as provided in the CSD Agreement, not to exceed the Actual Cost of the Acquisition Improvement.

“Actual Cost” means the total cost of an Acquisition Improvement, as documented by the Developer to the satisfaction of the CSD including, without limitation, (a) the Developer’s cost of constructing such Acquisition Improvement including grading, 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 CSD 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 CSD 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, financial, appraisal and similar professional services, and (i) the costs of construction financing incurred by the Developer with respect to such Acquisition Improvement.

“Agreement” means the Acquisition Agreement, dated as of August \_\_, 2015.

“Authority Indenture” means an Indenture entered into by the Authority and an Authority Trustee in connection with the issuance of bonds.

“Authority Trustee” means the Trustee identified in the Authority 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.

“CSD” means the East Niles Community Services District.

“CSD Acquisition and Construction Account” means the “CSD Acquisition and Construction Account” established within the Acquisition and Construction Fund pursuant to the Authority Indenture and the CSD Agreement for the purpose of paying the Acquisition Price of the Acquisition Improvements.

“Disbursement Request Form” means a requisition for payment of funds from the CSD Acquisition and Construction Account within the Acquisition and Construction Fund for an Acquisition Improvement in substantially the form contained in Exhibit B to the CSD 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 annual special taxes, and prepayments thereof, authorized by the Community Facilities District to be levied by the Commission of the Authority.

“Title Documents” means, for each Acquisition Improvement acquired under the CSD 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 CSD 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 CSD, where applicable.

### **CSD Acquisition and Construction Account within the Acquisition and Construction Fund**

Upon the issuance of the Bonds, the Authority will cause the Authority Trustee to establish and maintain the Acquisition and Construction Fund and the CSD Acquisition and Construction Account within the Acquisition and Construction Fund for the purpose of holding all funds for the Acquisition Improvements. All earnings on amounts in the CSD Acquisition and Construction Account within the Acquisition and Construction Fund shall remain in the CSD Acquisition and Construction Account within the Acquisition and Construction Fund for use as provided in the CSD Agreement and pursuant to the Authority Indenture. Money in the CSD Acquisition and Construction Account within the Acquisition and Construction Fund shall be 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 completion of all of the Acquisition Improvements and the payment of all costs thereof, any remaining funds in the CSD Acquisition and Construction Account within the Acquisition and Construction Fund (less any amount determined by the CSD 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 Taxes as the Authority shall determine.

### **Sale of Acquisition Improvements**

The Developer agrees to sell to the CSD each Acquisition Improvement to be constructed by Developer (including any rights-of-way or other easements necessary for the Acquisition Improvements, to the extent not already publicly owned), 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 CSD Agreement and incorporated therein, contains a list of the Acquisition Improvements and the Actual Cost of such Acquisition Improvements.

### **Conditions Precedent to Payment of Acquisition Price**

Payment to the Developer or its designee of the Acquisition Price for an Acquisition Improvement from the CSD Acquisition and Construction Account within the Acquisition and Construction Fund shall in every case be conditioned first upon the following conditions precedent:

The Developer shall have provided the CSD with lien releases or other similar documentation satisfactory to the CSD as evidence that none of 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) comprising the Acquisition Improvement, and the property which is subject to the special taxes of the Community Facilities District, is subject to any prospective mechanics lien claim respecting the Acquisition Improvements.

The Developer shall be current in the payment of all due and payable general property taxes, and all special taxes 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 CSD with Title Documents needed to provide the CSD 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 CSD and shall convey Acceptable Title. The Developer shall provide a policy of title insurance as of the date of transfer in a form acceptable to the CSD and the CSD's attorney insuring the CSD as to the interests acquired in connection with the acquisition of any interest for which such a policy of title insurance is not required by another agreement between the CSD and the Developer. Each title insurance policy required hereunder shall be in the amount equal to the Acquisition Price.

### **Disbursement Request Form**

The CSD shall cause a Disbursement Request Form substantially in the form attached to the CSD 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 Authority Indenture. The Authority, the CSD and the Developer acknowledge and agree that 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 CSD Acquisition and Construction Account within the Acquisition and Construction Fund and shall transfer those amounts 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 and Construction Fund from a subsequent issuance of Bonds or from Special Tax revenues, if either of those occurs.

### **Limitation on Obligations**

In no event shall the CSD or the Authority be required to pay the Developer or its designee more than the amounts held in the CSD Acquisition and Construction Account within the Acquisition and Construction Fund.

### **Indemnification and Hold Harmless**

The Developer assumes the defense of, and indemnifies and saves and holds harmless the CSD, 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 (which for purposes of this paragraph shall include its predecessors, if any) or its agents and employees arising out of the design, engineering, installation and construction of the Acquisition Improvements, or any contract related thereto entered into by the Developer, its agents, employees, contractors and predecessors, 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, 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 in the CSD Agreement will limit in any manner the CSD's rights against any of the Developer's architects, engineers, contractors or other consultants. Except as set forth in the CSD Agreement, no provision of the CSD 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 the CSD Agreement shall be understood or construed to mean that the Developer agrees to indemnify the CSD, 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 Authority or its officers, employees, agents or any consultants or contractors, including the Authority Trustee, and

for any wrongful acts, willful misconduct, active negligence or omissions to act of the CSD, or its officers, employees, agents or any consultants or contractors, including the Authority Trustee.

### **Successors and Assigns**

The CSD 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 CSD Agreement, except to successors-in-interest to the property within the CSD, without the prior written consent of the CSD 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 CSD Agreement may pursue any remedy at law or equity available for the breach of any provision of the CSD Agreement, except that the CSD 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 CSD 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 CSD Agreement.

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**APPENDIX F**

**FORMS OF CONTINUING DISCLOSURE CERTIFICATES**

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**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
COMMUNITY FACILITIES DISTRICT NO. 2015-02  
(RIO BRAVO)  
SPECIAL TAX BONDS, SERIES 2015A**

**FORM OF 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 by the Authority of its California Statewide Communities Development Authority Community Facilities District No. 2015-02 (Rio Bravo) Special Tax Bonds, Series 2015A (the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of August 1, 2015 (the “Indenture”), by and between the Authority and Wilmington Trust, National Association, as Trustee (the “Trustee”). The Authority covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners (as defined below) of the Bonds, 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 Authority 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 which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“**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 initial Dissemination Agent shall be David Taussig and Associates, Inc.

“**District**” shall mean the California Statewide Communities Development Authority Community Facilities District No. 2015-02 (Rio Bravo).

“**Holder**” shall mean the person in whose name any Bond shall be registered.

“**Listed Event**” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, 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 \_\_\_\_\_, 2015.

**“Report Date”** shall mean nine months after the end of the Authority’s fiscal year, or April 1 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.

**“Special Taxes”** shall mean the annual special taxes for facilities of the District levied on taxable property within the District.

**“Underwriter”** shall mean RBC Capital Markets, LLC, 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 nine months after the end of the Authority’s fiscal year (currently ending June 30), commencing with the report for the 2014-15 Fiscal Year (which is due not later than April 1, 2016, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Authority’s fiscal year changes, it shall give notice of such change to 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 send a notice to the MSRB in substantially the form attached as Exhibit A hereto.

(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 include 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 Revenues); 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 Revenues for the 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 Required Bond Reserve for the prior fiscal year; and
  - (ii) a statement as to the status of any foreclosure actions with respect to delinquent payments of the Special Tax.

Any or all of the items listed above may be set forth in one or a set of documents or 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 made available to the public on the MSRB's website. The Authority shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

- (a) Pursuant to the provisions of this Section 5, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten (10) business days after the occurrence of the event to the MSRB:
  - (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) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
  - (vi) tender offers;
  - (vii) defeasances;
  - (viii) rating changes; or
  - (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, in a timely manner not later than ten (10) business days after the occurrence of the event to the MSRB:

(i) unless described in paragraph 5(a)(vi), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material 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 as soon as possible 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)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds 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 or substitution occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination or substitution to 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 David Taussig and Associates, Inc.

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 (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 the type of business conducted;

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

(c) the amendment or waiver either (i) is approved by Holders of the Bonds in the same manner as provided in the Indenture for amendments to 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.

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 financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given to the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 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 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 Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority 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 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 notices or communications to or 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:

RBC Capital Markets, LLC  
Two Embarcadero Center, Suite 1200  
San Francisco, CA 94111  
Attn: Bob Williams, Managing Director

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 15. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Underwriter, Holders and Beneficial Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

SECTION 16. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2015

CALIFORNIA STATEWIDE COMMUNITIES  
DEVELOPMENT AUTHORITY

By: \_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD  
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. 2015-02 (Rio Bravo)  
Special Tax Bonds, Series 2015A

Date of Issuance: \_\_\_\_\_, 2015

NOTICE IS HEREBY GIVEN that the California Statewide Communities Development Authority (the "Authority") has not provided an Annual Report with respect to the above named Bonds as required by the Continuing Disclosure Certificate, dated the date of issuance of such Bonds. The Authority anticipates that the Annual Report will be filed by \_\_\_\_\_, 20\_\_.

Date: \_\_\_\_\_, 20\_\_.

CALIFORNIA STATEWIDE COMMUNITIES  
DEVELOPMENT AUTHORITY

By: \_\_\_\_\_  
Authorized Signatory



**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
COMMUNITY FACILITIES DISTRICT NO. 2015-02  
(RIO BRAVO)  
SPECIAL TAX BONDS, SERIES 2015A**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE  
(Developer)**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by Rio Bravo Medical Campus, LLC, a California limited liability company (the “Developer”), 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. 2015-02 (Rio Bravo) Special Tax Bonds, Series 2015A (the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of August 1, 2015 (the “Indenture”), by and between the Authority and Wilmington Trust, National Association, as Trustee (the “Trustee”). The Developer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the Holders and Beneficial Owners (as defined below) of the Bonds, 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 Developer 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 Developer 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 Developer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“**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 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.

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

“**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 initial Dissemination Agent shall be the Developer.

“**District**” shall mean the California Statewide Communities Development Authority Community Facilities District No. 2015-02 (Rio Bravo).

“**Holder**” shall mean the person in whose name any Bond shall be registered.

“**Listed Event**” shall mean any of the events listed in Section 5(a) or 5(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 Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, 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 \_\_\_\_\_, 2015.

“**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 July 1 of each year.

“**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.

“**Special Taxes**” shall mean the annual special taxes for facilities of the District levied on taxable property within the District.

“**Underwriter**” shall mean RBC Capital Markets, LLC, 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 Developer shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of the Developer’s fiscal year (currently ending September 30), commencing with the report for the fiscal year ending September 30, 2015 (which is due not later than July 1, 2016, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and 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 to 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) The Dissemination Agent (if the Dissemination Agent is other than the Developer) shall file a report with the Developer 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 Developer’s 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 made available to the public on the MSRB’s website. The Developer shall clearly identify each such other document so included by reference.

### Section 5. Reporting of Significant Events

(a) Pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten (10) business days after the occurrence of the event to the MSRB:

- (i) bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (i), 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, in a timely manner not later than ten (10) business days after the occurrence of the event to the MSRB:

- (i) release, substitution, or sale of property securing repayment of the Bonds;
- (ii) non-payment related defaults; or
- (iii) 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.

(c) Whenever the Developer obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws.

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 unless such Major Owner is a foreclosing creditor and/or lender, 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 the type of business conducted;

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

(c) the amendment or waiver either (i) is approved by Holders of the Bonds in the same manner as provided in the Indenture for amendments to 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 Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Developer 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 (as such term is defined therein), 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 of the Bonds or the 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 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 Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

To the Developer:	Rio Bravo Medical Campus, LLC c/o G.L. Bruno Associates, Inc. 855 M Street, Suite 1010 Fresno, CA 93721 Attn: CEO/President
With a copy to:	Holland & Knight 400 S. Hope Street, 8th Floor Los Angeles, CA 90071 Attn: Douglas A. Praw
To the Underwriter:	RBC Capital Markets, LLC Two Embarcadero Center, Suite 1200 San Francisco, CA 94111 Attn: Bob Williams, Managing Director

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, Holders and Beneficial Owners of the Bonds from time to time, 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 an original and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2015

RIO BRAVO MEDICAL CAMPUS, LLC  
a California limited liability company

By: \_\_\_\_\_  
G.L. Bruno Associates, Inc.,  
a California corporation  
Its: Manager

By: \_\_\_\_\_  
Name: Gary L. Bruno  
Its: CEO/President

**EXHIBIT A**

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD  
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. 2015-02 (Rio Bravo) Special Tax Bonds, Series 2015A  
Date of Issuance: \_\_\_\_\_, 2015

NOTICE IS HEREBY GIVEN that Rio Bravo Medical Campus, LLC (the "Developer") has not provided an Annual Report with respect to the above named bonds as required by the Continuing Disclosure Certificate, dated the date of issuance of such Bonds. The Developer anticipates that the Annual Report will be filed by \_\_\_\_\_, 20\_\_.

Date: \_\_\_\_\_, 20\_\_.

DISSEMINATION AGENT:

By: \_\_\_\_\_  
Its: \_\_\_\_\_

cc: The Developer  
Underwriter

**EXHIBIT B**

**ANNUAL REPORT**

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
COMMUNITY FACILITIES DISTRICT NO. 2015-02  
(RIO BRAVO)  
SPECIAL TAX BONDS, SERIES 2015A**

This Annual Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (the "Disclosure Certificate") dated as of \_\_\_\_\_, 2015, 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. 2015-02 (Rio Bravo) (the "District").

Capitalized terms used in this 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 \_\_\_\_\_, 20\_\_ (this date must be not more than 60 days before the date of this 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) \_\_\_\_\_

Total Parcels in the Development	Parcel(s) Sold Since the Date of Issuance of the Bonds (_____, 2015)	Parcel(s) Sold Since the Date of the Last Annual Report
_____	_____	_____

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 an 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.

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**III. Change in Development or Financing Plans**

Unless such information has previously been included or incorporated by reference in an 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.

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**IV. Official Statement Updates**

Unless such information has previously been included or incorporated by reference in an 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 COMMUNITY FACILITIES DISTRICT” that would materially and adversely interfere with the Developer’s ability to develop 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.

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**V. Certification**

The undersigned Developer hereby certifies that this Annual Report constitutes the 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, 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 ANNUAL REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated: \_\_\_\_\_, 20\_\_.

Rio Bravo Medical Campus, LLC  
a California limited liability company

By: \_\_\_\_\_  
G.L. Bruno Associates, Inc.,  
a California corporation  
Its: Manager

By: \_\_\_\_\_  
Name: Gary L. Bruno  
Its: CEO/President

## APPENDIX G

### BOOK-ENTRY SYSTEM

*The information in this APPENDIX G has been provided by DTC for use in securities offering documents, and the Issuer takes no responsibility for the accuracy or completeness thereof. The Issuer cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the beneficial owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each series and maturity of the Bonds, each in the principal amount of such series and maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any series and maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such series and maturity.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. 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.

4. 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 DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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





FOR ADDITIONAL BOOKS: [ELABRA.COM](http://ELABRA.COM) OR (888) 935-2272