NEW ISSUE - BOOK-ENTRY ONLY **NO RATING**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described more fully herein, interest on the 2014 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the 2014 Bonds is exempt from State of California personal income tax. See "LEGAL MATTERS — Tax Exemption" herein.

$19,320,000
NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX REFUNDING BONDS,
SERIES 2014

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

The Northstar Community Services District Community Facilities District No. 1 Special Tax Refunding Bonds, Series 2014 (the "2014 Bonds") are being issued and delivered by Northstar Community Services District Community Facilities District No. 1 (the "District") to provide funds to be used, along with other funds available for such purpose, for the defeasance of all or a portion of the District's outstanding Special Tax Bonds, Series 2005 and Series 2006. See "THE REFUNDING PLAN" herein. The Community Facilities District was formed by Northstar Community Services District ("NCSD") in 2005 and is located in the County of Placer, California, within the Northstar community.

The 2014 Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq*. of the Government Code of the State of California), a Trust Indenture between the District and Wells Fargo Bank, National Association, as trustee, dated as of November 1, 2005 and a Second Supplemental Trust Indenture, dated as of July 1, 2014 by and between the District and Wells Fargo Bank, National Association, as trustee (the "Trustee") (collectively, and as otherwise supplemented, the "Trust Indenture").

The 2014 Bonds are special obligations of the District and are payable solely from revenues derived from certain annual Special Taxes (as defined herein) to be levied on parcels within the District subject to the Special Tax and from certain other funds pledged under the Trust Indenture, all as further described herein. The Special Taxes are to be levied according to the amended rate and method of apportionment approved by the Board of Directors of NCSD and the qualified electors within the District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes" and APPENDIX A — "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The Board of Directors of NCSD is the legislative body of the District.

The 2014 Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of ownership interests in the 2014 Bonds may be made in principal amounts of $5,000 and integral multiples thereof in book-entry form only. Purchasers of 2014 Bonds will not receive certificates representing their beneficial ownership of the 2014 Bonds but will receive credit balances on the books of their respective nominees. The 2014 Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein.

Interest on the 2014 Bonds will be payable on September 1, 2014 and semiannually thereafter on each March 1 and September 1. Principal of and interest on the 2014 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, who are to remit such payments to the beneficial owners of the 2014 Bonds. See "THE 2014 BONDS — General Provisions" and APPENDIX G — "BOOK-ENTRY ONLY SYSTEM" herein.

Neither the faith and credit nor the taxing power of NCSD, the County of Placer, the State of California or any political subdivision thereof other than the District (and then to the limited extent described in this Official Statement) is pledged to the payment of the 2014 Bonds. Except for the Net Taxes (as defined herein), no other taxes are pledged to the payment of the 2014 Bonds The 2014 Bonds are not general or special obligations of NCSD or general obligations of the District, but are special obligations of the District payable solely from Net Taxes and amounts held under the Trust Indenture as more fully described herein.

The 2014 Bonds are subject to optional redemption, mandatory sinking fund payment redemption and extraordinary mandatory redemption from prepayments of Special Taxes as set forth herein. See "THE 2014 BONDS — Redemption" herein.

Certain events could affect the ability of the District to pay the principal of and interest on the 2014 Bonds when due. Moreover, the 2014 Bonds are not rated by any nationally recognized rating organization. The purchase of the 2014 Bonds involves significant investment risks, and the 2014 Bonds are not suitable investments for many investors. See the section of this Official Statement entitled "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 2014 Bonds. THE UNDERWRITER IS RESTRICTING INITIAL SALES OF THE 2014 BONDS TO "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND WILL REQUIRE EACH INITIAL PURCHASER TO DELIVER TO IT A LETTER REPRESENTING THAT IT IS SUCH A QUALIFIED INSTITUTIONAL BUYER IN SUBSTANTIALLY THE FORM ATTACHED HERETO AS APPENDIX H.

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

MATURITY SCHEDULE
(See Inside Cover Page)

The 2014 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation is serving as Disclosure Counsel to the District with respect to the 2014 Bonds. Certain legal matters will be passed on for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. Certain legal matters will be passed on for NCSD and the District by Downey Brand LLP, Sacramento, California. It is anticipated that the 2014 Bonds in book-entry form will be available for delivery through the facilities of DTC on or about July 30, 2014.

STIFEL

Dated: July 24, 2014

MATURITY SCHEDULE

(Base CUSIP[†]: 66704P)

Serial Bonds

Maturity Date (September 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP No.* [†]
2015	$ 375,000	4.00%	1.85%	102.300	BS2
2016	1,450,000	4.00	2.00	104.065	BF0
2017	1,650,000	4.00	2.37	104.821	BG8
2018	1,860,000	4.00	2.75	104.798	BH6
2019	2,085,000	5.00	3.14	108.677	BJ2
2020	2,340,000	5.00	3.49	108.212	BK9
2021	1,220,000	5.00	3.78	107.518	BL7
2022	1,360,000	5.00	4.04	106.562	BM5
2023	1,500,000	5.00	4.26	105.523	BN3
2024	1,660,000	5.00	4.43	104.592	BP8
2025	1,825,000	5.00	4.64	102.869[1]	BQ6
2026	1,995,000	5.00	4.74	102.061[1]	BR4

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† *Copyright 2014, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The District takes no responsibility for the accuracy of such data.*

[1] Priced to the first optional redemption date of September 1, 2024.

NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1

BOARD OF DIRECTORS OF NORTHSTAR COMMUNITY SERVICES DISTRICT
Serving as the Legislative Body of
Community Facilities District No. 1

Nancy Ives, *President*

Frank Seelig, *Vice President*

Jeann Green, *Member*

Darrell Smith, *Member*

Cathy Stewart, *Member*

DISTRICT STAFF

Mike Staudenmayer, *General Manager*

GENERAL COUNSEL TO THE DISTRICT

Downey Brand LLP,
Sacramento, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth,
a Professional Corporation
Newport Beach, California

SPECIAL TAX CONSULTANT

Goodwin Consulting Group
Sacramento, California

REAL ESTATE APPRAISER

Cushman & Wakefield of Colorado, Inc.
Denver, Colorado

TRUSTEE

Wells Fargo Bank, National Association
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore
Denver, Colorado

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TABLE OF CONTENTS

Page

INTRODUCTION 1
General 1
The District 1
Security and Sources of Payment for the Bonds 4
Description of the 2014 Bonds 5
Tax Matters 5
Professionals Involved in the Offering 5
Continuing Disclosure 6
Bond Owners' Risks 6
Other Information 6

ESTIMATED SOURCES AND USES OF FUNDS 7

THE REFUNDING PLAN 7
General 7
2005 and 2006 Bonds to Be Refunded With Proceeds of 2014 Bonds 8

THE 2014 BONDS 8
General Provisions 8
Debt Service Schedule 9
Redemption 10
Registration, Transfer and Exchange 12

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS 12
Limited Obligations 12
Special Taxes 13
Covenants and Warranties 17
Reserve Account of the Special Tax Fund 17
No New Money Parity Bonds 17

NORTHSTAR COMMUNITY SERVICES DISTRICT 17
General 17
Key Staff of NCSD 18

THE DEVELOPMENT AND PROPERTY OWNERSHIP 20
The Development Plan 20
Development and Developer History 28

THE DISTRICT 31
General Description of the District 31
Formation Proceedings 31
Property Values 31
Estimated Direct and Overlapping Indebtedness 32
Estimated Tax Burden 34
Value of Taxable Property 34
Estimated Value-to-Lien Ratios 35
Delinquency History and Draws on Reserve Account 36
Principal Taxpayers 37

SPECIAL RISK FACTORS 39
Risks of Real Estate Secured Investments Generally 39
Risks Related to Type of Development 39
Risks Related to Current Market Conditions 40
Economic Uncertainty 40
Concentration of Ownership and Properties with Lower Values-to-Lien 40
Availability of Construction Financing 41
Availability of Home Loans 41

Limited Obligations ... 41
Insufficiency of Special Taxes ... 41
Special Tax Delinquencies ... 42
Developer Delinquencies ... 42
Failure to Develop Properties ... 42
Natural Disasters ... 43
Availability of Water ... 43
Hazardous Substances ... 43
Parity Taxes and Special Assessments ... 44
Disclosures to Future Purchasers ... 44
Non-Cash Payments of Special Taxes ... 45
Payment of the Special Tax is not a Personal Obligation of the Owners ... 45
Property Values; Value-to-Lien Ratios ... 45
FDIC/Federal Government Interests in Properties ... 46
Bankruptcy and Foreclosure ... 47
No Acceleration Provision ... 47
Loss of Tax Exemption ... 47
Limitations on Remedies ... 48
Limited Secondary Market ... 48
Proposition 218 ... 48
Ballot Initiatives ... 49

CONTINUING DISCLOSURE ... 49

LEGAL MATTERS ... 50
Tax Exemption ... 50
Litigation ... 52
Legal Opinion ... 52
No Rating ... 52
Underwriting ... 53
Financial Interests ... 53
Pending Legislation ... 53
Additional Information ... 53

APPENDIX A AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX ... A-1
APPENDIX B APPRAISAL ... B-1
APPENDIX C GENERAL INFORMATION CONCERNING PLACER COUNTY ... C-1
APPENDIX D SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE ... D-1
APPENDIX E FORMS OF CONTINUING DISCLOSURE AGREEMENTS ... E-1
APPENDIX F FORM OF OPINION OF BOND COUNSEL ... F-1
APPENDIX G BOOK-ENTRY ONLY SYSTEM ... G-1
APPENDIX H FORM OF INVESTOR LETTER ... H-1

No dealer, broker, salesperson or other person has been authorized by NCSD, the District, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the 2014 Bonds other than those contained herein; and, if given or made, such other information or representations must not be relied upon as having been authorized by NCSD, the District, the Trustee 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 2014 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 Beneficial Owners of the 2014 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 representations of fact. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board.

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

The information in APPENDIX G — "BOOK-ENTRY ONLY SYSTEM" attached hereto has been furnished by The Depository Trust Company, and no representation has been made by the District, NCSD or the Underwriter as to the accuracy or completeness of such information.

The information set forth herein which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by NCSD or the District. The information and expressions of opinion herein are subject to change without notice; and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of NCSD or the District or any other parties described herein since the date hereof. All summaries of the Trust Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with NCSD for further information in connection therewith.

A wide variety of other information, including financial information, concerning NCSD, is available from publications and websites of NCSD and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement.

Cautionary Information Regarding Forward-Looking Statements in the Official Statement

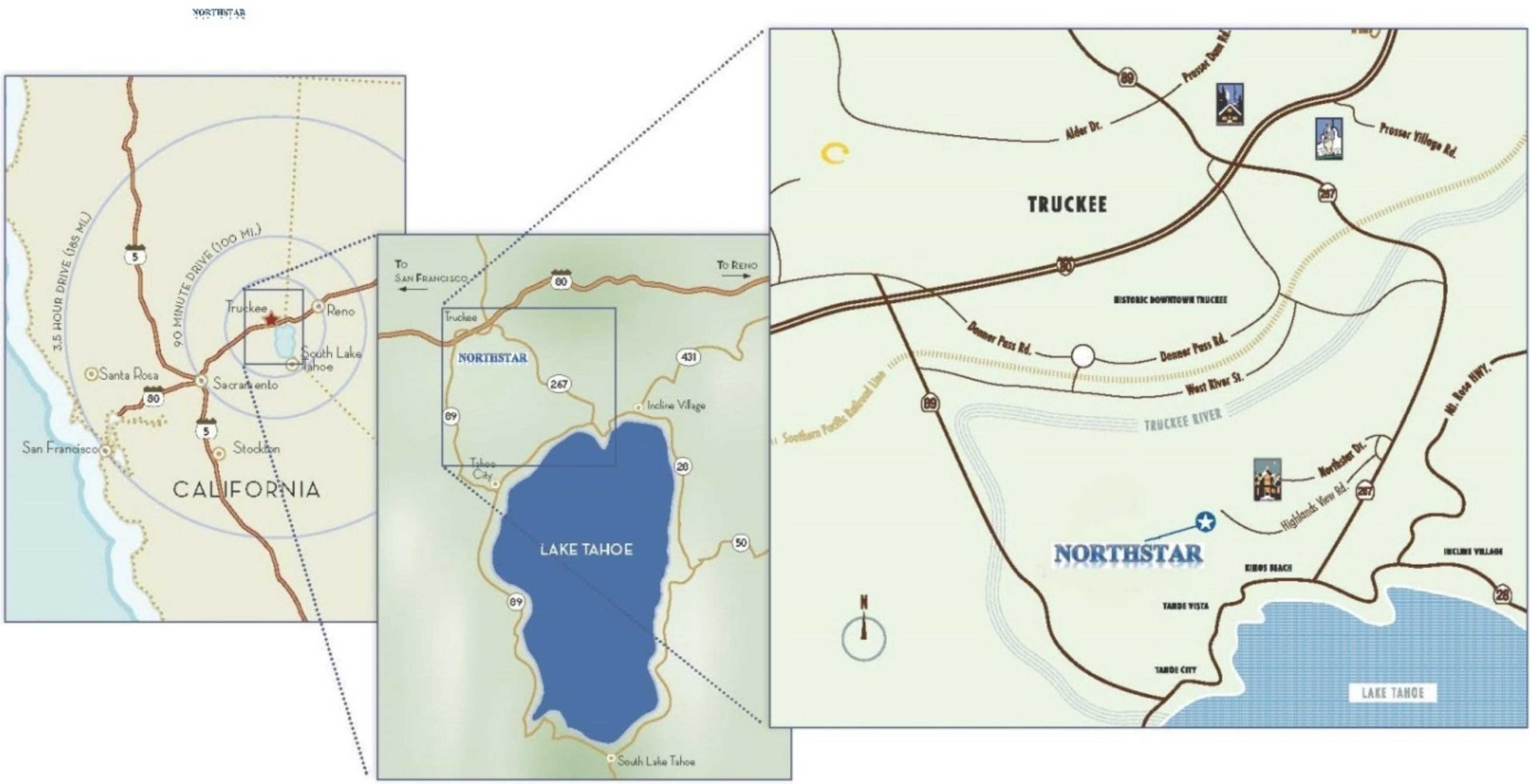
Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section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

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as set forth in the Continuing Disclosure Agreement, a form of which is attached as Appendix E, neither NCSD nor the District plans to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

In connection with the offering of the 2014 Bonds, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of such bonds at levels above those 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 2014 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.

The 2014 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act. The 2014 Bonds have not been registered or qualified under the securities laws of any state.

REGIONAL MAPS



$19,320,000
NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX REFUNDING BONDS, SERIES 2014

INTRODUCTION

General

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the appendices, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of 2014 Bonds (defined below) to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE — Definitions."

The purpose of this Official Statement, which includes the cover page, the inside cover page, the table of contents and the attached appendices (collectively, the "Official Statement"), is to provide certain information concerning the issuance by Northstar Community Services District Community Facilities District No. 1 (the "District") of the $19,320,000 Northstar Community Services District Community Facilities District No. 1 Special Tax Refunding Bonds, Series 2014 (the "2014 Bonds"). The proceeds of the 2014 Bonds, together with certain existing funds of the District, will be used to defease a portion of the District's outstanding Special Tax Bonds, Series 2005 originally issued in the aggregate principal amount of $55,870,000 and now outstanding in the principal amount of $54,510,000 (the "2005 Bonds") and a portion of the District's outstanding Special Tax Bonds, Series 2006 originally issued in the aggregate principal amount of $58,590,000 and now outstanding in the principal amount of $57,350,000 (the "2006 Bonds"). A portion of the proceeds of the 2014 Bonds will be used to pay the costs of issuing the 2014 Bonds; and a portion will be used to fund a deposit to the Reserve Account for the Bonds (as defined below) so that the amount in the Reserve Account is equal to the Reserve Requirement. See "THE REFUNDING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The 2014 Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq*. of the Government Code of the State of California) (the "Act"), a Trust Indenture between the District and Wells Fargo Bank, National Association, as trustee, dated as of November 1, 2005 and a Second Supplemental Trust Indenture, dated as of July 1, 2014 by and between the District and Wells Fargo Bank, National Association, as trustee (the "Trustee") (collectively, and as otherwise supplemented, the "Trust Indenture"). Upon issuance of the 2014 Bonds, the 2014 Bonds and the unrefunded portions, if any, of the 2005 Bonds and the 2006 Bonds (the 2014 Bonds, the unrefunded portions of the 2005 Bonds and the 2006 Bonds are collectively referred to herein as the "Bonds") will be the only outstanding bonds of the District; and they will be secured under the Trust Indenture by a pledge of and lien upon Net Taxes (as defined herein) and all moneys in the Special Tax Fund (other than the Administrative Expense Account therein) as described in the Trust Indenture. The District has covenanted in the Trust Indenture not to issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the Bonds, except to refund Bonds (or obligations issued to refund Bonds) as provided in the Trust Indenture. However, nothing will prevent the District from issuing or incurring indebtedness payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds.

The District

General. The District has been formed by the Northstar Community Services District ("NCSD") pursuant to the Act, and the Board of Directors of NCSD (the "Board of Directors") acts as the legislative body of the District. The District includes approximately 456.27 gross acres and is located west of State Highway 267 in the County of Placer, California (the "County"), approximately six miles north of Lake Tahoe. The District consists of a portion of the Northstar California resort, one of the Lake Tahoe area's largest and busiest ski resorts. The Northstar California resort is operated by North America's leading mountain resort operator, Vail Resorts, which also operates Heavenly and Kirkwood ski resorts in California, The Canyons in Utah, and Vail, Beaver Creek, Breckenridge, and Keystone resorts in Colorado. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP" and "THE DISTRICT."

Development. Development of portions of what is now known as Northstar California began in the 1970's; prior to the formation of the District; it included a ski resort, fairly limited commercial facilities at the base of the ski area, a variety of single family detached residences and condominiums, and an 18-hole golf course and club house facility. In 2004, Northstar Mountain Properties, LLC and related entities (collectively, the "Developer") began the process of developing an expanded and enhanced master-planned recreation resort community at Northstar California. In connection therewith, and in order to help finance the backbone infrastructure that such a community would require, the Developer petitioned NCSD to form the District; the boundaries of the District encompass the area of the new master-planned community. That community was planned to include up to 1,800 residential units, an expanded mixed use commercial village at the base of the ski resort known as The Village at Northstar (the "Village"), and a luxury hotel located mid-mountain adjacent to various ski runs known as The Ritz-Carlton, Lake Tahoe (the "Ritz-Carlton"). As described below, both the Ritz-Carlton and substantial portions of The Village have been completed and are fully operational. Completed residential development includes 298 condominium units, 44 townhome units and 25 custom single family residential lots. The Developer currently anticipates that a total of 1,500 residential units (including the already completed units) will be developed over the next 15 to 20 years. The Developer reports that, with the exception of in-tract facilities, substantially all of the major backbone infrastructure required for development of the District has been completed.

The Developer. East West Partners Tahoe, Inc. ("East West Partners") is the appointed manager of the Developer and has been responsible for managing development in the District since 2004. East West Partners Inc., a related party of the appointed manager, has been responsible for the development of over $5 billion of residential and commercial real estate, including resort communities in California, Colorado, and Utah that are similar to the development proposed in the District. East West Partners, through CREW Tahoe, LLC and its subsidiaries (all of which are entities related to the Developer), is also the owner of other projects in the vicinity of the District including Tahoe Mountain Club and Tahoe Mountain Resorts Real Estate. The investor partner of CREW Tahoe, LLC is Crescent Resort Development LLC, a subsidiary of Crescent Real Estate Equities LP. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP — The Developer."

As a result of economic difficulties caused by the recent economic recession, the Developer filed for Chapter 11 bankruptcy protection in February of 2010. The plan of reorganization for the Developer and most of its affiliated entities was approved and the Developer emerged from bankruptcy effective July 1, 2010. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP — Development and Developer History."

Although the Developer is the master developer of the planned improvements within the District, portions of the undeveloped or partially developed property within the District have been conveyed to several experienced real estate investors; and such portions are expected to be developed by such investors, not the Developer. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP."

Impact of Recession. The initial development activity and sales of property within the District in 2004 through 2007 were generally consistent with the Developer's expectations at the time. However, in 2008, development and sales activity in the District slowed significantly as a result of the economic recession experienced throughout the country and around the world. As was the case elsewhere, property values in the District were negatively impacted. Delinquencies in the payment of the Special Tax began to increase. A number of these delinquencies were on parcels owned by large property owners within the District, including the Developer. The Developer failed to timely make its Special Tax payment due on December 10, 2009 but cured this delinquency in early 2010. The Developer also failed to make its Special Tax payment due on April 10, 2010; this delinquency was cured in July 2010 after the Developer emerged from bankruptcy proceedings. Because of the promptness with which these delinquencies were cured, no draws on the Reserve Account were required. However, subsequent delinquencies by affiliates of the Developer and others did require the Trustee to draw on the Reserve Account for the 2005 Bonds and the 2006 Bonds in order to make timely payment of principal of and interest on the Bonds on March 1 and September 1, 2011. These delinquencies have since been cured, and the Reserve Account has subsequently been fully restored to its required balance.

One of the results of the economic difficulties and the bankruptcy was a reexamination of, and substantial changes to, the Developer's original plan for the development of the property within the District. These changes included, perhaps most significantly, a shift from higher density residential units to the addition of single family homes in the development, and reduction of the overall proposed density of development in the District from approximately 1,800 to approximately 1,500 total planned residential units.

The Developer and other property owners in the District have recommenced development activity within the District. Since January 2011, 16 townhomes and 25 single family custom home lots have been completed and sales of 15 condominiums, 15 townhomes, and four single family lots, have closed escrow to individual buyers. The Developer has recently begun site work for the construction of 17 townhomes that are expected to be completed by summer 2015. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP."

Property Values. At the request of the District, Cushman & Wakefield of Colorado, Inc., Denver, Colorado (the "Appraiser"), has conducted an appraisal (the "Appraisal") of the undeveloped property within the District and has concluded, based upon the assumptions and limiting conditions contained in the Appraisal, that, as of June 1, 2014, the market value of such property was $131,500,000. The Appraisal is based upon a variety of assumptions and limiting conditions. See "THE DISTRICT — Appraisal Report" and APPENDIX B — "APPRAISAL." The District makes no representations as to the accuracy of the Appraisal. There is no assurance that undeveloped property within the District can be sold for the prices set forth in the Appraisal or that any parcel of undeveloped property can be sold for a price sufficient to pay the Special Tax on that parcel in the event of a default in payment of Special Taxes by the property owner. See "SPECIAL RISK FACTORS — Land Values" and APPENDIX B — "APPRAISAL" herein.

No appraisal of the Developed Property within the District has been performed in connection with the issuance of the 2014 Bonds; and the values of such properties that are set forth herein are their respective assessed values as shown on the County's assessment roll for Fiscal Year 2014-15, except that the sales prices (as reported by the Developer) rather than the assessed values, have been used in the case of properties that have changed ownership subsequent to the January 1, 2014 lien date applicable to such assessment roll. As a result of Proposition 13, the assessed values of property in California do not necessarily represent their respective fair market values.

The "composite" value is the sum of (a) the appraised value of the undeveloped property, (b) the County's assessed value of developed property for Fiscal Year 2014-15 except as noted in clause (c) and (c) the sales prices reported by the Developer for property conveyed subsequent to January 1, 2014. This composite value of the property in the District is $578,892,437, which is approximately 5.18 times the aggregate principal amount of the Outstanding Bonds. See Table 9 below for the distribution of parcels in the District among various value-to-lien categories. See also "SPECIAL RISK FACTORS – Property Values; Value-to-Lien Ratios for Fiscal Year 2014-15." In the absence of the refunding, 75% of the Fiscal Year 2014-15 special tax levy would be payable from property with a composite value-to-lien ratio of less than 2:1; this includes 63% of the levy on property owned by the Developer and 12% of the levy on property owned by other major owners.

Security and Sources of Payment for the Bonds

General. The 2014 Bonds are being issued on a parity with the unrefunded portions of the District's 2005 Bonds and 2006 Bonds, and all such Bonds are referred to collectively herein as the "Bonds." The Bonds are limited obligations of the District; and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from a portion of the Special Taxes to be levied annually against the property in the District, or, to the extent necessary, from the moneys on deposit in the Reserve Account. As described herein, the Special Taxes are collected along with *ad valorem* property taxes on the tax bills mailed by the Treasurer-Tax Collector of the County for the Developed Property and on tax bills mailed by the District for the Undeveloped Property. Although the Special Taxes constitute a lien on the property subject to taxation in the District, they do not constitute a personal indebtedness of the owners of such property. There is no assurance that such owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if they are financially able to do so.

Special Taxes. As used in this Official Statement, the term "Special Tax" is that tax which has been authorized pursuant to the Act to be levied against certain property within the District pursuant to the Act and in accordance with the amended rate and method of apportionment of special taxes approved by the Board of Directors and the qualified voters of the District in 2011 (the "Amended Rate and Method"), but excluding penalties and interest imposed upon delinquent installments. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes" and APPENDIX A — "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The Special Taxes are the primary security for the repayment of the Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in the Special Tax Fund, including amounts held in the Reserve Account therein, but excluding amounts held in the Administrative Expense Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund."

***Limited Obligations*. Except for the Net Taxes, no taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of NCSD or general obligations of the District, but are special obligations of the District payable solely from Net Taxes and amounts held under the Trust Indenture as more fully described herein.**

***Foreclosure Proceeds*.** The District has covenanted for the benefit of the Owners of the Bonds that it (i) will commence judicial foreclosure proceedings against all parcels owned by a property owner where the aggregate delinquent Special Taxes on such parcels is greater than $7,500 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due, and (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year, and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel which is owned by a delinquent property owner whose property is not, in the aggregate, delinquent in the payment of Special Taxes for a period of three years or more or in an amount in excess of $12,000 so long as (1) the amount in the Reserve Account of the Special Tax Fund is at least equal to the Reserve Requirement, and (2) the District is not in default in the payment of the principal of or interest on the Bonds. The District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account of the Special Tax Fund at the Reserve Requirement or to avoid a default in payment on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*"

There is no assurance that the property within the District can be sold for the values described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of

Special Taxes by the current or future property owners within the District. See "SPECIAL RISK FACTORS — Property Values; Value-to-Lien Ratios."

Description of the 2014 Bonds

The 2014 Bonds will be issued and delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to purchasers (the "Beneficial Owners") in denominations of $5,000 or any integral multiple thereof under the book-entry system maintained by DTC only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the 2014 Bonds. In the event that the book-entry only system described herein is no longer used with respect to the 2014 Bonds, the 2014 Bonds will be registered and transferred in accordance with the Trust Indenture. See APPENDIX G — "BOOK-ENTRY ONLY SYSTEM."

Principal of, premium, if any, and interest on the 2014 Bonds is payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the 2014 Bonds, the Beneficial Owners will become the registered owners of the 2014 Bonds and will be paid principal and interest by the Trustee, all as described herein. See APPENDIX G — "BOOK-ENTRY ONLY SYSTEM."

The 2014 Bonds are subject to optional redemption and extraordinary mandatory redemption from prepayments of Special Taxes as described herein. For a more complete description of the 2014 Bonds and the basic documentation pursuant to which they are being sold and delivered, see "THE 2014 BONDS" and APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE."

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants and requirements described herein, interest on the 2014 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. It is the further opinion of Bond Counsel that interest on the 2014 Bonds is exempt from State of California personal income tax. See "LEGAL MATTERS — Tax Exemption" herein.

Professionals Involved in the Offering

Wells Fargo Bank, N.A. will act as Trustee under the Trust Indenture, and serves as the trustee under the indenture governing the 2005 Bonds and 2006 Bonds (in that capacity, the "Prior Bonds Trustee"). Stifel, Nicolaus & Company, Incorporated (the "Underwriter") is the Underwriter of the 2014 Bonds. Certain proceedings in connection with the issuance and delivery of the 2014 Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel. See APPENDIX F — "FORM OF OPINION OF BOND COUNSEL." Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California and for NCSD and the District by Downey Brand LLP, Sacramento, California. Other professional services have been performed by Cushman & Wakefield Colorado, Inc., as the appraiser of certain property within the District, by Goodwin Consulting Group, Sacramento, California, as Special Tax Consultant and by Causey Demgen & Moore, Denver, Colorado, as Verification Agent.

For information concerning the respects in which certain of the above-mentioned professionals, advisors, counsel and agents may have a financial or other interest in the offering of the 2014 Bonds, see “LEGAL MATTERS — Financial Interests” herein.

Continuing Disclosure

The District and the Developer will each agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system certain annual financial information and operating data. The District will further agree to provide notice of certain enumerated events. These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE” and APPENDIX E for a description of the specific nature of the annual reports to be filed by the District and the Developer and notices of enumerated events to be provided by the District.

Bond Owners’ Risks

Certain events could affect the timely repayment of the principal of and interest on the 2014 Bonds when due. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2014 Bonds. Moreover, the 2014 Bonds are not rated by any nationally recognized rating organization. ***The purchase of the 2014 Bonds involves significant investment risks, and the 2014 Bonds may not be suitable investments for many investors***. ***THE UNDERWRITER IS RESTRICTING INITIAL SALES OF THE 2014 BONDS TO “QUALIFIED INSTITUTIONAL BUYERS” AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND WILL REQUIRE EACH INITIAL PURCHASER TO DELIVER TO IT A LETTER REPRESENTING THAT IT IS SUCH A QUALIFIED INSTITUTIONAL BUYER IN SUBSTANTIALLY THE FORM ATTACHED HERETO AS APPENDIX H.***

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the 2014 Bonds and the Trust Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Trust Indenture, the 2014 Bonds and the Constitution and laws of the State as well as the proceedings of the Board of Directors, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the 2014 Bonds, by reference to the Trust Indenture.

Copies of the Trust Indenture, the District’s Continuing Disclosure Agreement, the Developer’s Continuing Disclosure Agreement, and other documents and information referred to herein are available for inspection and (upon request and payment to NCSD of a charge for copying, mailing and handling) for delivery from the District.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of 2014 Bond proceeds and prior funds:

SOURCES OF FUNDS	
Principal Amount of 2014 Bonds	$19,320,000.00
Plus Original Issue Premium	1,042,944.25
Other Available Funds(1)	1,727,713.83
TOTAL SOURCES	$22,090,658.08
USES OF FUNDS	
Defeasance of Prior Bonds	$21,661,303.13
Reserve Account(2)	60,299.92
Underwriter's Discount	203,955.54
Costs of Issuance Fund(3)	165,099.49
TOTAL USES	$22,090,658.08

(1) Funds on deposit in the special tax fund and the surplus fund relating to the Refunded Bonds.
(2) Equals the incremental amount necessary to meet the Reserve Requirement.
(3) Includes legal fees, special tax consultant fees, Trustee fees and expenses, accountants' fees and other miscellaneous costs.

THE REFUNDING PLAN

General

A portion of the proceeds from the sale of the 2014 Bonds will be used, along with other funds available for such purpose held by the Prior Bonds Trustee, to make the September 1, 2014 payment on the Refunded Bonds and defease the Refunded Bonds maturing in 2015 and later listed in the table below. The District will instruct the Trustee to transfer said portion of the 2014 Bonds proceeds to Wells Fargo Bank National Association, as escrow bank (the "Escrow Bank") under that certain Escrow Agreement dated as of July 1, 2014, by and between the District and the Escrow Bank (the "Escrow Agreement") so that the amount held by the Escrow Bank will be sufficient to pay the principal and interest due on the Refunded Bonds on September 1, 2014 and to pay on such date, the principal of and the redemption premium and interest on the Refunded Bonds maturing in 2015 and later. The accuracy of the calculation of the amount required to effect such defeasance and redemption will be verified by Causey Demgen & Moore, Denver, Colorado. The District has instructed, or in a timely manner will instruct, the Escrow Bank to give notice of redemption with respect to owners of the Refunded Bonds as required pursuant to the indenture governing the Refunded Bonds (the "Prior Bonds Indenture"). As a result of the foregoing, concurrently with the issuance of the 2014 Bonds, the Refunded Bonds will be discharged, and the owners of the Refunded Bonds will have no rights under the Refunded Bonds Indenture except to be paid the principal and interest due on the Refunded Bonds from amounts held by the Escrow Bank.

The following table presents the principal amount of each maturity of the 2005 Bonds and 2006 Bonds that will be refunded with the proceeds of the 2014 Bonds, as well as the remaining principal amount of each maturity of the 2005 Bonds and 2006 Bonds which will remain outstanding after issuance of the 2014 Bonds.

2005 and 2006 Bonds to Be Refunded With Proceeds of 2014 Bonds

2005 Bonds			2006 Bonds		
Maturity Date (September 1)	***Amount to be Refunded***	***Amount Remaining after Refunding***	***Maturity Date (September 1)***	***Amount to be Refunded***	***Amount Remaining after Refunding***
2014	$ 560,000	$ 0	2014	$ 475,000	$ 0
2015	655,000	0	2015	565,000	0
2016	760,000	0	2016	655,000	0
2017	870,000	0	2017	755,000	0
2018	990,000	0	2018	860,000	0
2019	1,115,000	0	2019	975,000	0
2020	1,255,000	0	2020	1,090,000	0
2028	0	16,205,000	2026	9,560,000	0
2036	0	32,100,000	2037	0	42,415,000

THE 2014 BONDS

General Provisions

The 2014 Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing on September 1, 2014 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The 2014 Bonds will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof. So long as the 2014 Bonds are held in book-entry form, principal and interest on the 2014 Bonds will be paid to DTC for subsequent disbursement to DTC Participants, who are to remit such payments to the Beneficial Owners in accordance with DTC procedures. See APPENDIX G — "BOOK-ENTRY ONLY SYSTEM."

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any 2014 Bond will be payable from the Interest Payment Date next preceding the date of authentication of that 2014 Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day (the "Record Date") but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the date of the 2014 Bonds; provided, however, that if at the time of authentication of a 2014 Bond, interest is in default, interest on that 2014 Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment.

Debt Service Schedule

The following table presents the annual debt service on unrefunded portions of the 2005 Bonds and the 2006 Bonds, as well as the annual debt service on the 2014 Bonds, assuming there are no optional or extraordinary redemptions. However, it should be noted that the Amended Rate and Method allows prepayment of the Special Taxes in full or in part and the Trust Indenture permits redemption of 2014 Bonds on any Interest Payment Date from the proceeds of any prepayments of Special Taxes. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes" and "THE 2014 BONDS — Redemption."

TABLE 1
DEBT SERVICE SCHEDULE

Period Ending September 1	*2014 Bonds Principal*	*2014 Bonds Interest*	*Debt Service on Unrefunded 2005 Bonds and 2006 Bonds*	*Total*
2014	$ --	$ 78,589.30	$ 2,392,736.25	$ 2,471,325.55
2015	375,000	912,650.00	4,785,472.50	6,073,122.50
2016	1,450,000	897,650.00	4,785,472.50	7,133,122.50
2017	1,650,000	839,650.00	4,785,472.50	7,275,122.50
2018	1,860,000	773,650.00	4,785,472.50	7,419,122.50
2019	2,085,000	699,250.00	4,785,472.50	7,569,722.50
2020	2,340,000	595,000.00	4,785,472.50	7,720,472.50
2021	1,220,000	478,000.00	6,185,472.50	7,883,472.50
2022	1,360,000	417,000.00	6,264,172.50	8,041,172.50
2023	1,500,000	349,000.00	6,349,425.00	8,198,425.00
2024	1,660,000	274,000.00	6,430,412.50	8,364,412.50
2025	1,825,000	191,000.00	6,516,862.50	8,532,862.50
2026	1,995,000	99,750.00	6,607,957.50	8,702,707.50
2027			8,877,880.00	8,877,880.00
2028			9,052,107.50	9,052,107.50
2029			9,234,300.00	9,234,300.00
2030			9,419,937.50	9,419,937.50
2031			9,610,117.50	9,610,117.50
2032			9,798,285.00	9,798,285.00
2033			9,998,080.00	9,998,080.00
2034			10,197,420.00	10,197,420.00
2035			10,399,667.50	10,399,667.50
2036			10,607,990.00	10,607,990.00
2037			10,820,250.00	10,820,250.00
Total	**$19,320,000**	**$6,605,189.30**	**$177,475,908.75**	**$203,401,098.05**

Source: The Underwriter

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes."

Estimated Debt Service Coverage from Special Taxes

Special Taxes will be levied each year in an amount equal to the Special Tax Requirement determined in accordance with the Amended Rate and Method. The Special Tax Requirement is calculated to include an amount at least equal to the debt service on the outstanding Bonds in the ensuing Bond Year plus any amount required to replenish the Reserve Account to the Reserve Requirement and the amount needed to pay Administrative Expenses. The Special Tax Requirement in Fiscal Year 2014-15, prior to the 2014 refunding, is $7,125,734, of which $125,155 is budgeted to pay Administrative Expenses, of which $30,475 is payable prior to payment of debt service on the Bonds while the balance is payable after debt service on the Bonds..

Table 2 below shows the estimated debt service coverage for the 2014 Bonds, as well as for the unrefunded portions of the 2005 Bonds and 2006 Bonds.

TABLE 2
NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
DEBT SERVICE COVERAGE

Fiscal Year	***Maximum Special Tax*** [(1)]	***Administrative Expense Cap*** [(2)]	***Net Projected Maximum Special Tax*** [(3)]	***Unrefunded Bonds Debt Service*** [(4)(5)]	***Series 2014 Refunding Bonds Debt Service***[(5)]	***Debt Service Coverage***
2014-15	$7,745,705	$30,475	$7,715,230	$4,785,473	$1,287,650	127.0%
2015-16	7,900,619	31,085	7,869,535	4,785,473	2,347,650	110.3
2016-17	8,058,631	31,706	8,026,925	4,785,473	2,489,650	110.3
2017-18	8,219,804	32,340	8,187,464	4,785,473	2,633,650	110.4
2018-19	8,384,200	32,987	8,351,213	4,785,473	2,784,250	110.3
2019-20	8,551,884	33,647	8,518,237	4,785,473	2,935,000	110.3
2020-21	8,722,922	34,320	8,688,602	6,185,473	1,698,000	110.2
2021-22	8,897,380	35,006	8,862,374	6,264,173	1,777,000	110.2
2022-23	9,075,328	35,706	9,039,622	6,349,425	1,849,000	110.3
2023-24	9,256,834	36,420	9,220,414	6,430,413	1,934,000	110.2
2024-25	9,441,971	37,149	9,404,822	6,516,863	2,016,000	110.2
2025-26	9,630,811	37,892	9,592,919	6,607,958	2,094,750	110.2
2026-27	9,823,427	38,650	9,784,777	8,877,880	0	110.2
2027-28	10,019,895	39,423	9,980,472	9,052,108	0	110.3
2028-29	10,220,293	40,211	10,180,082	9,234,300	0	110.2
2029-30	10,424,699	41,015	10,383,684	9,419,938	0	110.2
2030-31	10,633,193	41,836	10,591,357	9,610,118	0	110.2
2031-32	10,845,857	42,672	10,803,185	9,798,285	0	110.3
2032-33	11,062,774	43,526	11,019,248	9,998,080	0	110.2
2033-34	11,284,029	44,396	11,239,633	10,197,420	0	110.2
2034-35	11,509,710	45,284	11,464,426	10,399,668	0	110.2
2035-36	11,739,904	46,190	11,693,714	10,607,990	0	110.2
2036-37	11,974,702	47,114	11,927,588	10,820,250	0	110.2

(1) Calculated by escalating the estimated maximum Special Tax for Fiscal Year 2014-15 by 2% per year, which assumes no change in development status.
(2) The Administrative Expense Cap is paid prior to debt service, and is escalated by 2% per year.
(3) Calculated by subtracting the Administrative Expense Cap from the projected maximum Special Tax.
(4) Debt service from the portions of the 2005 Bonds and 2006 Bonds that are not anticipated to be refunded by the 2014 Bonds
(5) Debt service is presented for the Bond Year beginning in the Fiscal Year and payable from those Fiscal Year revenues
Sources: Stifel, Nicolaus & Company, Inc., Goodwin Consulting Group, Inc.

Redemption

Optional Redemption. Subject to the limitations set forth below, the 2014 Bonds may be redeemed, at the option of the District from any source of funds, other than Prepayments, on any date on or after September 1, 2024, in whole, or in part (in integral multiples of $5,000) in the order of maturity selected by the District and by lot within a maturity, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption.

Special Mandatory Redemption from Prepayments. The 2014 Bonds are subject to special mandatory redemption on any date from amounts on deposit in the Prepayment Account, in whole or in part as provided in the Trust Indenture, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

Redemption Dates	***Redemption Price***
Any Interest Payment Dates from September 1, 2014 through March 1, 2022	103%
September 1, 2022 and March 1, 2023	102
September 1, 2023 and March 1, 2024	101
September 1, 2024 and thereafter	100

Notice of Redemption. *So long as the 2014 Bonds are held by DTC, all notices of redemption will be sent only to DTC in accordance with its procedures and will not be delivered to any Beneficial Owner*. The Trustee is obligated to mail, at least 30 days but not more than 60 days prior to the date of redemption, notice of intended redemption, by first-class mail, postage prepaid, to the original purchaser of the 2014 Bonds and the registered Owners of the 2014 Bonds at the addresses appearing on the Bond Register. The notice of redemption must: (i) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the 2014 Bonds selected for redemption (except that where all of the 2014 Bonds, or all of the 2014 Bonds of one maturity, are to be deemed, the bond numbers need not be specified); (ii) state the date fixed for redemption and surrender of the 2014 Bonds to be redeemed; (iii) state the redemption price; (iv) state the place or places where the 2014 Bonds are to be redeemed; (v) in the case of 2014 Bonds to be redeemed only in part, state the portion of such 2014 Bond which is to be redeemed; (vi) state the date of issue of the 2014 Bonds as originally issued; (vii) state the rate of interest borne by each 2014 Bond being redeemed; and (viii) state any other descriptive information needed to identify accurately the 2014 Bonds being redeemed as shall be specified by the Trustee. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each 2014 Bond or portion thereof called for redemption the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable.

Unless at the time the Trustee gives notice of such redemption to the Owners of the 2014 Bonds to be redeemed the Trustee holds sufficient available funds to pay the redemption price of such 2014 Bonds, such notice shall state that the redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of the 2014 Bonds to be redeemed, and that if such moneys shall not have been so received, the redemption of 2014 Bonds as described in the conditional notice of redemption shall not be made, and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the persons who received such notice of redemption and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of 2014 Bonds pursuant to such notice of redemption.

So long as notice by first class mail has been provided as set forth above, the actual receipt by the Owner of any 2014 Bond of notice of such redemption is not a condition precedent to redemption. Neither the failure to receive such notice nor any defect in such notice will affect the validity of the proceedings for redemption of such 2014 Bonds or the cessation of interest on the date fixed for redemption.

Effect of Redemption. When notice of redemption has been given, and when the amount necessary for the redemption of the 2014 Bonds called for redemption is set aside for that purpose in the Redemption Account, the 2014 Bonds designated for redemption will become due and payable on the date fixed for redemption, and upon presentation and surrender of such 2014 Bonds at the place specified in the notice of redemption, and no interest will accrue on the 2014 Bonds called for redemption from and after the redemption date, and the Beneficial Owners of the redeemed 2014 Bonds, after the redemption date, may look for the payment of principal and premium, if any, of such 2014 Bonds or portions of 2014 Bonds only to the Redemption Account and shall have no rights, except with respect to the payment of the redemption price from the Redemption Account.

***Purchase in Lieu of Redemption*.** In lieu of redeeming 2014 Bonds, the District may elect, prior to the selection of 2014 Bonds for redemption by the Trustee, to instruct the Trustee to purchase 2014 Bonds at public or private sale at such prices as the District may in its discretion determine; provided that the purchase price thereof (including brokerage and other expenses) shall not exceed the principal amount thereof plus accrued interest to the purchase date and any applicable premium.

Registration, Transfer and Exchange

***Registration*.** The Trustee will keep sufficient books for the registration and transfer of the 2014 Bonds (the "Bond Register"). The ownership of the 2014 Bonds will be established by the Bond Register books held by the Trustee.

Transfer or Exchange. Whenever any 2014 Bond is surrendered for registration of transfer or exchange, the Trustee will authenticate and deliver a new 2014 Bond or 2014 Bonds of the same maturity for a like aggregate principal amount of authorized denominations; provided that the Trustee will not be required to register transfers or make exchanges of (i) 2014 Bonds for a period of 15 days next preceding the date of any selection of the 2014 Bonds to be redeemed, or (ii) any 2014 Bonds chosen for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are special, limited obligations of the District payable only from amounts pledged under the Trust Indenture and from no other sources.

The Special Taxes are the primary source of security for the repayment of the Bonds. Under the Trust Indenture, the District will pledge to repay the Bonds from the Net Taxes (which are Gross Special Tax revenues received by the District remaining after the payment of the County's collection costs and the annual Administrative Expenses in an amount up to the Administrative Expenses Cap), exclusive of any penalties and interest accruing with respect to delinquent Special Tax installments, from amounts held in the Special Tax Fund (other than amounts held in the Administrative Expense Account therein) and from amounts on deposit in the Reserve Account. Gross Special Tax revenues include the proceeds of the Special Taxes received by the District, including the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of delinquent Special Taxes. The Administrative Expense Cap for Fiscal Year 2014-2015 is $30,475; and such amount will continue to escalate by 2% per Fiscal Year.

In the event that the Special Tax revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in the Special Tax Fund (other than the Administrative Expense Account therein), including amounts held in the Reserve Account therein, for the benefit of the Beneficial Owners of the Bonds.

Neither the faith and credit nor the taxing power of NCSD, the State of California or any political subdivision thereof (other than the District to the limited extent described in this Official Statement) is pledged to the payment of the Bonds. Except for the Net Taxes, no taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of NCSD but are special, limited obligations of the District payable solely from the Net Taxes and other amounts pledged under the Trust Indenture as more fully described herein.

Special Taxes

Pledge. The District will covenant in the Trust Indenture to levy Special Taxes up to the maximum rates permitted under the Amended Rate and Method in an aggregate amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay the principal of and interest on any Outstanding Bonds, to replenish the Reserve Account to the Reserve Requirement and to pay the estimated Administrative Expenses.

The Special Taxes levied in any Fiscal Year may not exceed the maximum rates authorized pursuant to the Amended Rate and Method, nor may the Special Tax levied against any Assessor's Parcel of Developed Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District. See APPENDIX A — "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" hereto. There is no assurance that the Net Taxes will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See "SPECIAL RISK FACTORS — Insufficiency of Special Taxes" herein.

Amended Rate and Method of Apportionment of Special Taxes. All capitalized terms used in this section shall have the meaning in the Amended Rate and Method, the text of which is set forth in full in APPENDIX A.

Pursuant to the Amended Rate and Method, on or about July 1 of each Fiscal Year, the Administrator must determine: (i) whether each Assessor's Parcel of Taxable Property is a Designated Developed Parcel or a Future Development Parcel, (ii) for Future Development Parcels, whether each Parcel is Developed Property or Undeveloped Property, (iii) for Residential Property, the number and Square Footage of Single Family Detached Units, Townhome Units, and Condominium Units developed or anticipated to be developed on each Parcel, (iv) for Non-Residential Property, the Square Footage on each Parcel, and (v) the Special Tax Requirement. In each Fiscal Year, the Administrator shall make the final determination of the land use, Residential Units, and Square Footage on each Parcel.

Under the Amended Rate and Method, at any time during the Fiscal Year, when a Subdivision/Reconfiguration Map is recorded or property is otherwise reconfigured, the Administrator shall determine the Maximum Special Tax for each Parcel created by the subdivision or reconfiguration pursuant to the method set forth in the Amended Rate and Method. On an ongoing basis, the Administrator shall keep an updated record of the current Assessor's Parcel numbers for all Parcels of Taxable Property in the District and the corresponding Maximum Special Tax for each Parcel. In any Fiscal Year, if it is determined that (i) a Subdivision/Reconfiguration Map for a portion of property in the District was recorded after the last date upon which the Assessor will incorporate the newly-created Parcels into the then current tax roll, and (ii) because of the date the Subdivision/Reconfiguration Map was recorded, the Assessor does not yet recognize the new Parcels created by the Subdivision/Reconfiguration Map, the Administrator shall calculate the Special Tax for the property affected by recordation of the Subdivision/Reconfiguration Map by determining the Special Tax that applies separately to each newly-created Parcel, then applying the sum of the individual Special Taxes to the original Parcel that was subdivided by recordation of the Subdivision/Reconfiguration Map.

The Special Tax for each Fiscal Year is to be levied Proportionately on each Assessor's Parcel of Developed Property that is Residential Property at up to 100% of the Maximum Special Tax for Residential Property applicable to such Assessor's Parcel to the extent necessary to satisfy the Special Tax Requirement. If additional revenue is needed in order to satisfy the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property that is Non-Residential Property up to 100% of the Maximum Special Tax for Non-Residential Property for such Fiscal Year. If additional revenue is needed after applying the first two steps, the Special Tax shall next be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year. If additional revenue is needed, the Backup Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Backup Special Tax for such Fiscal Year. If additional revenue is needed after the four steps above, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property, exclusive of property exempt from the Special Tax pursuant to the Amended Rate and Method, at up to 100% of the Maximum Special Tax that was levied on such Parcel for such Fiscal Year. With the exception of fiscal years 2011-12 and 2012-13, the application of the first two steps referenced above has been sufficient in each Fiscal Year to satisfy any applicable Special Tax Requirement. In Fiscal Years 2011-12 and 2012-13, it was necessary to levy a Backup Special Tax on Undeveloped Property to replenish the Reserve Fund draws caused by prior delinquencies in the payment of the Special Tax.

Notwithstanding the foregoing, in accordance with the Act, the Amended Rate and Method provides that in no event shall the Special Tax levied upon any Assessor's Parcel of Developed Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District.

Set forth in Table 3 below are the Fiscal Year 2014-15 Maximum Special Tax rates applicable to each land use class. The Maximum Special Tax rates escalate at the rate of 2% per Fiscal Year.

TABLE 3
NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
FISCAL YEAR 2014-15 MAXIMUM SPECIAL TAXES

Land Use	***Units/ Sq. Ft./ Acres***	***Fiscal Year 2014-15 Maximum Special Tax***
Designated Developed Property[(1)]		
Condominium Unit	286 units	$ 1,125,388
Townhome Unit[(2)]	28 units	141,619
Fractional Unit	12 units	45,801
Non-Residential	301,163 sq. ft.	34,874
Future Development Property[(3)(4)]		
Condominium Unit	951 units	5,060,209
Townhome Unit[(2)]	188 units	1,110,989
Single Family Unit	35 units	226,825
Total		**$ 7,745,705**

(1) Designated Developed Property is defined in the Amended Rate and Method and is not synonymous with the term 'Developed Property" used elsewhere herein. The Fiscal Year 2014-15 Maximum Special Tax on Designated Developed Property includes the special tax levy on 298 completed condominium units (of which 12 have been sold as 124 fractional units) and 28 completed townhome units, as well as 218,628 square feet of commercial space including Village commercial and the Ritz-Carlton.

(2) The 16 townhomes in Home Run were not completed prior to the approval of the Amended Rate and Method in 2011. As a result, these 16 units are considered Future Development Property for purposes of the Amended Rate and Method.

(3) Future Development Property is defined in the Amended Rate and Method and is not synonymous with the term 'Undeveloped Property" used elsewhere herein. It includes the parcels identified in Attachment 2 of the Amended and Restated Rate and Method, and all future parcels created from those by subdivision or reconfiguration. Includes both Developed and Undeveloped Property.

(4) Reflects the expected land uses at the time of the Martis25 subdivision. Based on current expected land uses, the maximum Special Tax is expected to increase by approximately $10,000 after the next subdivision occurs.

Source: Goodwin Consulting Group, Inc.

The Maximum Special Taxes set forth in Table 3 above were calculated based on the Expected Land Uses as of March 15, 2013, the date of the most recent subdivision of property within the District. Under the Amended Rate and Method, the Administrator shall review anticipated development plans and land use changes anytime a subdivision/reconfiguration map is recorded in order to evaluate the impact on the Expected Maximum Special Tax Revenues. If a change to the Expected Land Uses (a "Land Use/Entitlement Change") is proposed that will result in a reduction in the Expected Maximum Special Tax Revenues, the Administrator is required to take certain actions as set forth in the Amended Rate and Method. See APPENDIX A for the various actions that the Administrator may be required to take under such circumstances.

Prepayment of Special Taxes. The Special Tax obligation applicable to any Assessor's Parcel that is current in the payment of its Special Tax may be prepaid, and the obligation applicable to such Assessor's Parcel to pay the Special Tax may be permanently satisfied, as set forth in Section G of the Amended Rate and Method. A prepayment of Special Taxes could result in an extraordinary redemption of Bonds, depending upon the size of the prepayment. See "THE 2014 BONDS — Redemption — *Special Mandatory Redemption from Prepayments*."

Collection and Application of Special Taxes. The Special Taxes applicable to Developed Property are collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes for the Developed Property. The District currently bills Special Taxes due on Undeveloped Property directly to the owners of the Undeveloped Property. For Fiscal Year 2014-15, 47 Special Tax bills will be billed directly by the District, which represents 71.7% of all Special Taxes billed. The District may also collect other Special Taxes at a different time or in a different manner if necessary to meet its financial obligations. The Amended Rate and Method provides that the Special Tax for Fractional Units may be billed either directly to individual fractional owners or to a homeowners association, which would then bill the individual fractional owners. The practice of the Treasurer-Tax Collector has then to bill the applicable homeowners association.

The delinquency dates for property tax payment are December 10 for the first installment and April 10 for the second installment.

The District has made certain covenants in the Trust Indenture for the purpose of helping to ensure that the current Maximum Special Tax rates are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. First, the District has covenanted that, to the extent it is legally permitted to do so, it will take no action that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax, including the initiation of proceedings to reduce the Maximum Special Tax rates for the District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property in each Bond Year will equal at least 110% of the sum of the estimated Administrative Expenses and Annual Debt Service in that Bond Year on all Bonds to remain Outstanding after the reduction is approved, (ii) the Board of Directors finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds. For purposes of estimating Administrative Expenses for the foregoing calculations, the Independent Financial Consultant or the Administrator shall compute the Administrative Expenses for the current Fiscal Year and escalate that amount by two percent (2%) in each subsequent Fiscal Year. See "SPECIAL RISK FACTORS — Proposition 218" for a discussion about the District's ability to collect Special Taxes for Administrative Expenses. Second, the District has covenanted not to permit the tender of 2014 Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in a reduction in the maximum Special Taxes that may be levied on the Taxable Property within the District in any Fiscal Year to an amount less than the sum of 110% of Annual Debt Service in the Bond Year ending on the September 1 following the end of such Fiscal Year plus the estimated Administrative Expenses for such Bond Year. See "SPECIAL RISK FACTORS — Non-Cash Payments of Special Taxes."

Although the Special Taxes constitute liens on taxable parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. In addition to the obligation to pay Special Taxes, properties in the District are subject to other taxes and assessments as set forth in Table 9 below. These other taxes and assessments are co-equal to the lien for the Special Taxes. Moreover, other liens for taxes and assessments could come into existence in the future in certain situations without the consent or knowledge of NCSD or the property owners in the District. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments" herein. There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled "SPECIAL RISK FACTORS."

Under the terms of the Trust Indenture, all Special Tax revenues received by the District, other than Prepayments, are to be deposited in the Special Tax Fund. Prepayments shall be deposited in the Redemption Account of the Special Tax Fund. Special Tax revenues deposited in the Special Tax Fund are to be applied by the Trustee under the Trust Indenture in the following order of priority: (i) to deposit up to an amount equal to the Administrative Expenses Cap ($30,475 in Fiscal Year 2014-15, subject to 2% escalation each Fiscal Year thereafter) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses; (ii) to pay the principal of and interest on the Bonds when due; (iii) to replenish the Reserve Account to the Reserve Requirement; (iv) to make any required transfers to the Rebate Fund; (v) to pay Administrative Expenses of the District above the Administrative Expenses Cap referenced in (i) above; and (vi) for any other lawful purpose of the District. See APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE."

Proceeds of Foreclosure Sales. Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the Board of Directors, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure proceedings following the nonpayment of a Special Tax is not mandatory. However, the District has covenanted for the benefit of the Owners of the Bonds that it will commence and diligently pursue until the delinquent Special Taxes are paid, judicial foreclosure proceedings against (i) all parcels owned by a property owner with delinquent Special Taxes where the aggregate delinquent Special Taxes on such parcels is greater than $7,500 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due and (ii) all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel which is owned by a delinquent property owner whose property is not, in the aggregate, delinquent in the payment of Special Taxes for a period of three years or more or in an amount in excess of $12,000 so long as (1) the amount in the Reserve Account of the Special Tax Fund is at least equal to the Reserve Requirement, and (2) the District is not in default in the payment of the principal of or interest on the Bonds. See APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE — COVENANTS AND WARRANTY" herein. The District has previously taken action to pursue foreclosure actions on parcels with delinquent special tax payments. No such actions are currently pending.

If foreclosure is necessary at a time when other funds (including amounts in the Reserve Account) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of NCSD and the District. See "SPECIAL RISK FACTORS — Bankruptcy and Foreclosure" herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See "SPECIAL RISK FACTORS — Property Values; Value-to-Lien Ratios" herein. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or NCSD any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale.

Covenants and Warranties

The District has covenanted in the Trust Indenture to comply with the covenants and warranties therein, and the Trust Indenture will be in full force and effect upon the issuance of the 2014 Bonds. See APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE — COVENANTS AND WARRANTY."

Reserve Account of the Special Tax Fund

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the 2014 Bonds, to deposit in the Reserve Account the amount, if any, necessary to increase the amount on deposit therein to the Reserve Requirement and thereafter to replenish the balance on deposit in the Reserve Account to the Reserve Requirement following any withdrawal therefrom. The Trust Indenture defines the term "Reserve Requirement" to mean, as of any date of calculation by the District, an amount equal to the lowest of (i) 10% of the principal amount of the Bonds, as calculated pursuant to the regulations adopted by the United States Department of Treasury with respect to obligations issued pursuant to Section 103 of the Internal Revenue Code of 1986, or (ii) Maximum Annual Debt Service, or (iii) 125% of the average Annual Debt Service.

Subject to the limits on the maximum annual Special Tax which may be levied within the District as described in APPENDIX A, the District has covenanted to levy Special Taxes in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to restore the balance in the Reserve Account to the Reserve Requirement following any withdrawal therefrom. Amounts in the Reserve Account are to be applied to (i) pay debt service on the Bonds, to the extent other moneys are not available therefor; (ii) redeem the Bonds in whole or in part; and (iii) pay the principal and interest due in the final year of maturity of a series of the Bonds. In the event of a prepayment of Special Taxes or an optional redemption of Bonds, under certain circumstances a portion of the Reserve Account will be added to the amount being prepaid and be applied to redeem Bonds; provided, however, that no such transfer shall be made if it would result in the amount in the Reserve Account being less than the Reserve Requirement. See "THE DISTRICT — Delinquency History and Draws on Reserve Account," APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE — CREATION OF FUNDS AND APPLICATION OF PROCEEDS — Reserve Account of the Special Tax Fund" herein.

No New Money Parity Bonds

Pursuant to the Trust Indenture, the District has covenanted not to issue any Parity Bonds except for Parity Bonds issued for the purpose of refunding outstanding Bonds, and that it will only issue Parity Bonds for such purpose if it shall have received a certificate from an Independent Financial Consultant to the effect that Annual Debt Service after the issuance of such Parity Bonds will be no larger than Annual Debt Service would have been prior to the issuance of such Parity Bonds in each Bond Year in which Bonds or Parity Bonds (other than the refunding Parity Bonds) will remain outstanding.

NORTHSTAR COMMUNITY SERVICES DISTRICT

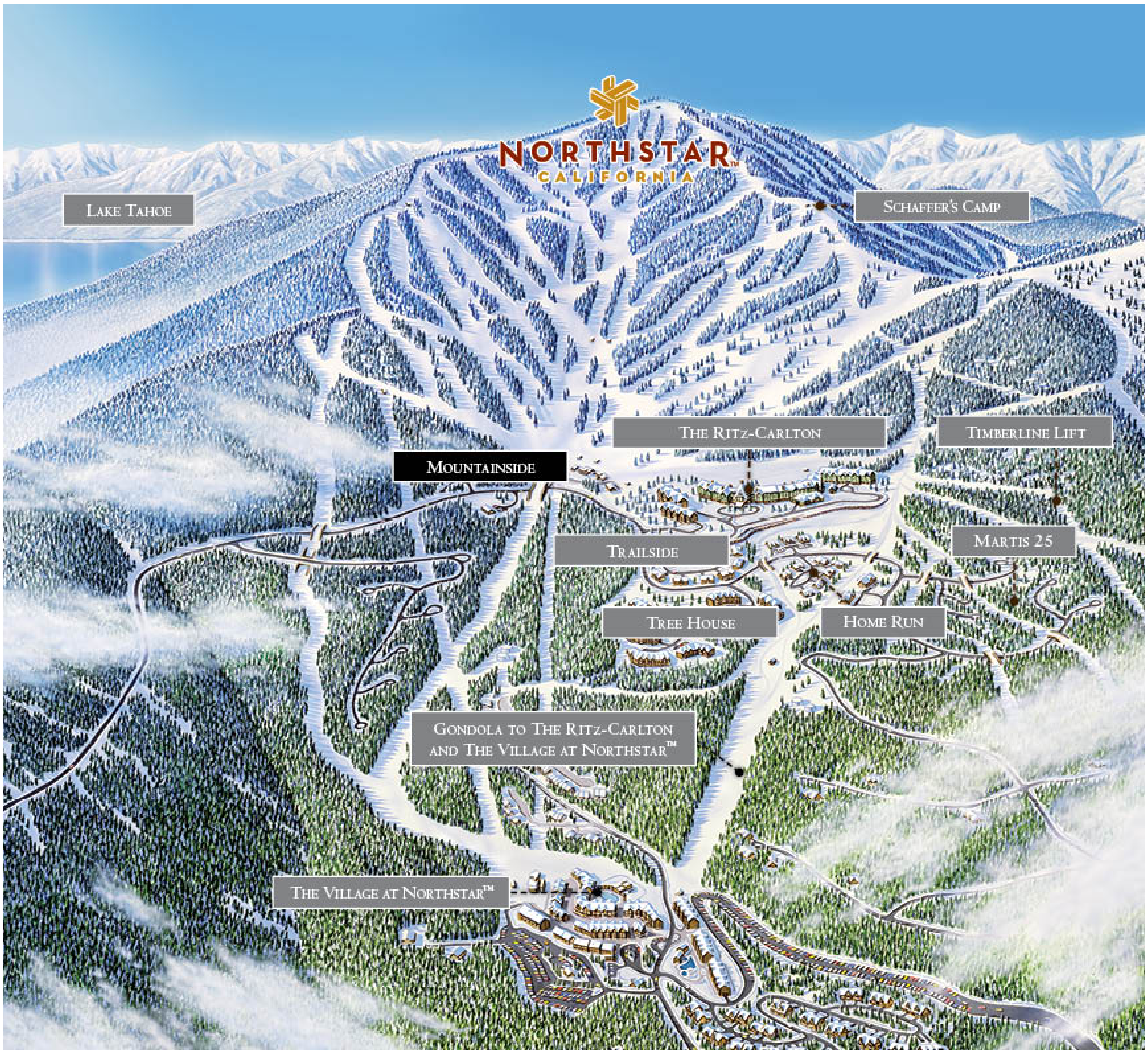
General

NCSD was founded in 1990 to serve the Northstar community with governmental services. The Northstar community includes the property in the District, as well as approximately 1,500 residential units which are located outside of the District. NCSD currently provides fire protection, fuels management, water, sewer collection, snow removal, road surface maintenance, recycling services, solid waste management and trail construction and maintenance to the Northstar community.

The Board of Directors of NCSD acts as the legislative body of the District, and the staff of NCSD provides administrative support for the District.

Key Staff of NCSD

Mike Staudenmayer, General Manager. Mr. Staudenmayer holds a B.S. in Civil Engineering from Lehigh University and has over 20 years of experience in engineering, resort development and utility management. He joined NCSD in 2004 as the District Engineer and has been the General Manager since 2006. Prior to coming to the Tahoe region, Mr. Staudenmayer worked in the San Francisco Bay Area and Park City, Utah on a variety of projects in an engineering and geomatics capacity for real estate development projects, the 2002 Winter Olympic facilities and resort expansion projects.


NORTHSTAR
CALIFORNIA
Lake Tahoe
Schaffer's Camp
The Ritz-Carlton
Timberline Lift
Mountainside
Trailside
Martis 25
Tree House
Home Run
Gondola to The Ritz-Carlton and The Village at Northstar™
The Village at Northstar™

THE DEVELOPMENT AND PROPERTY OWNERSHIP

The following information about the Developer and the Development has been provided by the Developer. No assurance can be given that the proposed development will occur as described in this Official Statement or that it will be completed in a timely manner, if at all, or that the current major property owners will continue to own the property. Neither the 2014 Bonds nor the Special Taxes securing the 2014 Bonds are personal obligations of the property owners or any affiliate thereof and, in the event that a property owner defaults in the payment of its Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of such property owner or any affiliate thereof. See "SPECIAL RISK FACTORS" herein.

The Development Plan

General. The Developer has obtained certain entitlements (see "Entitlement Status" below) to develop the District into a master-planned recreation resort community, adjacent to an existing development built in the 1970's. The Developer commenced construction in the District in 2004. To date, completed development includes 298 condominium units, 44 townhome units, and approximately 82,000 square feet of commercial property in the Village as well as the 170 room Ritz-Carlton hotel. In addition, the Developer has completed 25 single family finished lots to be sold for further development with custom homes.

Most of the future development in the District is expected to consist of multi-story buildings, with some townhomes and single family custom homes. Because much of the residential development was designed to have "ski-in, ski-out" access, portions of the property serving as ski access runs have been or will be classified as "Ski Property" and will be exempt from the Special Tax. Consequently, the land area of the District that is expected to be subject to the Special Tax at build out will consist of approximately 356 acres, or approximately 78% of the District's total 456.27 gross acreage.

The development consists of two major components: (1) The Village, consisting of several multi-story, mixed use commercial and residential buildings at the immediate base of the ski resort, and (2) Mountainside consisting of the Ritz-Carlton luxury hotel and a variety of residential units, all located at higher, mid-mountain elevations. A map showing the location of various portions of the development appears on page 19 of this Official Statement.

The Developer reports that, with the exception of in-tract facilities, substantially all of the major backbone infrastructure required for development of the District has been completed.

The Northstar California resort also features an 18 hole mountain golf course and clubhouse located approximately two miles from the Village. Recently constructed in the mid-Mountain area of the resort is Tree House, a 3,800 square foot fitness, lounge, and game area with a pool which is intended to serve as an amenity for property owners in the District. Property owners in the District also have the opportunity to join the Tahoe Mountain Club, which is owned and operated by an affiliate of the Developer and which offers a variety of golf and recreational amenities spread throughout the North Lake Tahoe region.

Development Plan. Table 4 below provides a summary of the current development and planned future development in the District. The terms "completed" and "under construction" used in this table are *not* synonymous with the term "Designated Developed Property" in the Amended Rate and Method. The term "future project" used in this table is *not* synonymous with the term "Future Development Property" in the Amended Rate and Method. See Table 2 and APPENDIX A — "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." More detail on each of the developments within the District is provided below.

TABLE 4
NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
DEVELOPMENT PLAN

Property Description	*Owner*	*Condo Units*	*Townhome Units*	*Single Family Units*	*Sq. Ft.*	*Total Units*	*Status*
The Village							
Non-Residential Property							
Village Commercial	CNL/Vail Resorts, CREW Tahoe	-	-	-	82,535	-	Completed
Residential Property							
Iron Horse/Great Bear	Individuals	100	-	-	-	100	Completed
Big Horn/Catamount	Individuals	92	-	-	-	92	Completed
One Village Place	Individuals	21	-	-	-	21	Completed
Village Walk Townhomes Phase 1	Individuals	-	12	-	-	12	Completed
Village Walk Townhomes Phase 2	The Developer	-	6	-	-	6	Partial Construction (1)
Village Walk Townhomes Phase 2	The Developer	-	16	-	-	16	Future Project
Northstar Lodge Phase 1	Individuals, Welk Resorts	34	-	-	-	34	Completed
Northstar Lodge Phase 2	Welk Resorts	37	-	-	-	37	Partial Construction (2)
Northstar Lodge Phase 3	Welk Resorts	32	-	-	-	32	Future Project
Subtotal Village		**316**	**34**	**-**	**82,535**	**350**	
Mountainside							
Non-Residential Property							
The Ritz-Carlton Lake Tahoe	Kennedy Wilson	-	-	-	218,628	-	Completed
Residential Property							
Ritz Penthouses	Individuals, Kennedy Wilson	23	-	-	-	23	Completed
Trailside Townhomes	Individuals, Exclusive Resorts	-	16	-	-	16	Completed
Home Run Townhomes	Individuals, The Developer	-	16	-	-	16	Completed
Martis 25 Custom Home	Individual	-	-	1	-	1	Permit Pulled
Martis 25 Custom Lots	Individuals	-	-	3	-	3	Sold to Individuals
Martis 25 Custom Lots	The Developer	-	-	21	-	21	For Sale
Constellation	Individuals, JMA Ventures, Ritz-Carlton Development Company	28	-	-	-	28	Completed
Future Constellation Residences (Ritz West)	JMA Ventures	50	-	-	-	50	Future Project
Future Ritz Residences (Ritz East)	Kennedy Wilson	61	-	-	-	61	Future Project
Lots 9A and 10C	The Developer	-	17	-	-	17	Partial Construction(3)
APN: 110-030-079-000 (4.0 acres)	The Developer	-	-	5	-	5	Future Project
APN: 110-050-071-000 (113.2 acres)	The Developer	310	111	-	-	421	Future Project
APN: 110-050-072-000 (125.5 acres)	The Developer	330	24	5	-	359	Future Project
APN: 110-081-017-000 (2.1 acres)	The Developer	-	2	-	-	2	Future Project
APN: 110-400-005-000 (25.8 acres)	The Developer	110	17	-	-	127	Future Project
Subtotal Mountainside		912	203	35	218,628	1,150	
Grand Total		**1,228**	**237**	**35**	**301,163**	**1,500**	

(1) Foundations were poured in 2008. Construction was halted after that point as a result of the market downturn.
(2) Foundations were poured in 2007. Construction was halted after that point as a result of the market downturn. Construction was resumed in Summer 2014 by Welk Resorts.
(3) Site work recently commenced with construction expected to be completed by summer 2015.
Sources: The Developer, Goodwin Consulting Group, Inc.

The Village at Northstar. Development of the expanded and enhanced Village at the base area of the Northstar California resort known as "The Village at Northstar" began in 2004. Full build out is expected to be completed by the end of 2017 with final sales expected to close escrow to individual buyers by the end of 2018. At completion, the Village is expected to include 350 luxury condominium and townhome residential units and approximately 82,000 square feet of commercial space. To date, seven multi-story condominium buildings and townhouses with a total of 259 residential units and approximately 82,000 square feet ground floor retail space have been completed; an additional 43 residential units are currently under construction. See "Entitlement Status" below.

Amenities offered by the Village include an ice skating rink in the winter, roller skating in the summer, a gondola connecting the Village to the Ritz-Carlton, family activities and entertainment events scheduled throughout the year.

Current and planned residential development in the Village includes the following:

Iron Horse, Great Bear, Big Horn and Catamount: 192 condominium units completed between 2005 and 2008 all of which have been conveyed to individual buyers at initial prices ranging from $625,000 to $5,800,000;

One Village Place: A 21 unit condominium building completed in 2007 and sold to another developer. Of the 21 units, seven were sold as fractional interest units. Six were sold as whole ownership units to individual buyers at initial prices ranging from $890,000 to $1,200,000 and eight units are currently offered for sale as whole ownership units by a new owner.

Village Walk Townhomes: 12 townhomes in Phase 1 were completed in 2007 and 2008, and all have been sold to individual buyers at initial prices ranging from $1,100,000 to $2,900,000. In 2008, the Developer poured partial parcel foundations for an additional six units in Phase 2 before further construction was halted. An additional 16 units are planned for Phase 3.

Northstar Lodge: This was originally envisioned as a three phase, 103 unit fractional share Hyatt Residence Club. The first 34 unit building and the parking garage level for the second phase of the project were completed in 2008 and some of the fractional share interests were sold. However, the project did not meet its sales goals during the recession and the Developer ultimately defaulted on a construction loan in April 2010. The project has changed ownership several times in the last few years. In March 2013, a division of Welk Resorts, a Southern California based timeshare developer and operator, purchased the balance of the project. Welk Resorts completed a remodel of the sales center in the building in early 2014 and is actively marketing the property for sale once again. Welk Resorts has started construction on Phase 2, which is expected to include 37 two and three bedroom timeshare unit, and expects substantial completion by August 2015. Welk Resorts also plans a Phase 3, which is entitled for an additional 32 units.

Mountainside. The other major development area in the District is located near the mid-mountain area of Northstar California ski resort. Formerly known as the Highlands, this development is now referred to as Mountainside ("Mountainside"). The first phase of development at Mountainside began in 2006 with the commencement of construction of a variety of condominiums and townhomes. At full build out, Mountainside is expected to include 1,150 luxury condominium, townhome and single family homes along with approximately 10,000 square feet of homeowner amenity facilities, and the Ritz-Carlton hotel. See "Entitlements Status" below.

Current and planned development in Mountainside include the following:

The Ritz-Carlton. Completed and opened in 2009, the Ritz-Carlton Tahoe is the first Forbes Four-Star/AAA Five Diamond resort in the Lake Tahoe area and includes 170 guest rooms and a 17,000 square foot spa. In addition to the guest rooms, the Ritz-Carlton also includes a private wing on the third floor, which includes 23 branded for-sale penthouse residences referred to as the Ritz Penthouses. To date, 15 of these 23 penthouse units have sold to individual purchasers at initial prices ranging from $1,350,000 to $4,500,000. In the spring of 2010, the original developer of the hotel defaulted on its construction loan and the lender foreclosed on the property. In December 2012, the lender sold the property to Kennedy Wilson. Since acquiring the Ritz-Carlton, Kennedy Wilson has spent approximately $2,000,000 in outdoor improvements to the hotel property.

Ritz Residences. In addition to the Ritz-Carlton and Ritz Penthouses, Kennedy Wilson also purchased parcels immediately adjacent to Ritz-Carlton, to the east, entitled for the development of 61 condominiums, known as the Ritz Residences.

Constellation Residences. A three-phased fractional ownership project was planned immediately adjacent to and west of the Ritz-Carlton. The first phase of the project consists of 28 fractional ownership units opened concurrently with the opening of the Ritz-Carlton in December 2009. Of the 28 units in the first phase, 11 units were sold as fractional ownership units before the original developer exited the fractional ownership business globally in 2011 and sold its remaining 17 unit holdings and the approximately two acre parcel for Phase 2 to JMA Ventures. JMA Ventures has since closed escrow on eight of those 17 units to third party owners at initial prices ranging from $945,000 to $1,795,000. The second phase of this project is entitled for another 50 condominium units.

Trailside Townhomes. Trailside consists of 16 luxury townhomes completed in 2009 and 2010. All 16 units have closed escrow to third parties at initial prices ranging from $2,800,000 to $3,800,000, including 10 units sold to Exclusive Resorts, a vacation club.

Martis25. Martis25 consists of 25 ski-in, ski-out single family custom home lots completed in October 2012. Four of the 25 lots have been sold at initial prices ranging from $995,000 to $1,695,000. A fifth lot is under contract for a scheduled close in September 2014. Construction has commenced on one home site. The home is expected to have approximately 8,000 square feet and is expected to be completed in 2014.

Home Run Townhomes. Home Run consists of 16 luxury townhomes. All 16 units were completed in June 2014 and 12 have closed escrow at initial sales prices ranging from $1,645,000 to $2,470,000. The most recently sold unit closed escrow in May 2014.

Mountainside Cabins and Residences. The Developer has designed the next 17 townhome units (sometimes referred to as Lots 9A and Lot 10C) to be known as the Mountainside Cabins and Residences, which it plans to construct in the Mountainside area. Site work has begun for these units and construction is expected to be complete by summer 2015.

The balance of Mountainside is planned for another 750 condominium units, 154 townhome units and 10 single family lots. The Developer expects full development of the Mountainside Residences to take approximately 15-20 years. The Developer expects to fund future development from proceeds of sales, equity contributions, and construction loans. See "— Future Development Plans of the Developer" below.

Entitlement Status The property in the District is entitled for development, as described below.

Property in the District is zoned for the current planned density by virtue of the following land use plans: (a) Martis Valley General Plan (approved in 1967 and 1975); (b) Northstar Master Plan (approved in 1971); and (c) Martis Valley Community Plan (approved in 2003). The planning and development of the Northstar California resort has a history dating back to the 1960's. The original master plan proposed total development of 3,700 units. By the mid-1990's, less than one-half of the potential 3,700 units at what is now known as Northstar California had been platted and developed, allowing for the possibility of additional large-scale residential development at the resort.

The Developer has entitled two related yet separate projects under the Martis Valley Community Plan. They are as follows:

- <u>The Village:</u>
  - 316 condominiums are entitled. Of these, 247 have been completed, 37 are under construction, and 32 are still in the planning stages.
  - 34 townhomes are entitled. Of these, 12 have been completed, 6 are under construction, and 16 are still in the planning stages.
  - Approximately 110,000 gross square feet of commercial space is entitled. Of this, approximately 83,000 net square feet have been completed.
- <u>Mountainside:</u>
  - This development consists of multiple phases. In total, 84 residential units have been completed to date, and an additional 1,066 residential units are planned.
  - Phase I:
    - 255 hotel rooms have been entitled. Of these, 170 have been completed. No more hotel rooms are currently planned.
    - 162 condominiums have been entitled. Of these, 51 have been completed, and 111 are still in the planning stages.
    - 16 townhomes are entitled and all of these have been completed.
  - Phase II:
    - 383 condominiums are entitled. Of these, 0 have been completed and 383 are still in the planning stages.
    - 53 townhomes are entitled. Of these, 16 have been developed. 17 additional units are under construction, and 20 are still in the planning stages.
    - 10 single family lots/units are entitled. Of these, 0 have been completed and 10 are still in the planning stages.
  - Phase III:
    - 25 single family lots/units entitled and all of these have been completed.
    - 1 single family lot/unit is currently under construction.
  - Future Phases:
    - 801 additional residential units are entitled (program level), though only 501 additional units are planned. The difference between these two numbers represents the shift from higher density residential units to the addition of single family homes in the development, and reduction of the overall proposed density of development in the District from approximately 1,800 to approximately 1,500 total planned residential units.

To gain project level entitlements for each future phase within Mountainside, the California Environmental Quality Act ("CEQA") analysis will tier off of the program level Environmental Impact Report and will add site specific analysis as needed plus any additional program level analysis that is required under then applicable CEQA requirements (for example, since the date of the program level Environmental Impact Report, it is now necessary to analyze greenhouse gas emissions). The Environmental Impact Reports for the Village and Mountainside have analyzed the traffic impacts associated with all entitled development.

Vesting tentative maps have been approved for each of the phases listed above, except for the "Future Phases" and Building 3 of Northstar Lodge. A vesting tentative map allows a property owner to proceed with a proposed development in substantial compliance with local ordinances, policies and standards in effect at the time the application for approval of the vesting tentative map is deemed complete. The only vesting tentative maps that has not been fully exercised above is Mountainside Phase II. The Mountainside Phase II Vesting

Tentative Map will expire on February 10, 2016. However, recordation of final maps under this vesting tentative map would extend the time period during which the vesting tentative map is valid. Also, the vesting tentative map for Northstar Lodge Buildings 1 and 2 (71 units) and Village Walk Townhomes has been fully exercised with respective final maps. On this vesting tentative map, the property where Northstar Lodge Building 3 (32 units) is planned was designated as a remainder parcel and will require a new vesting tentative map and final map for further development.

Each individual future project will be required to go through a standard County staff level review to ensure the proposed projects are in conformance with the Martis Valley Design Guidelines.

No assurances can be made that the Developer or any other current or future owner of property within the District will have the resources, willingness and ability to successfully complete development activities on the property within the District as planned. No representation is made by the District as to the ability (financial or otherwise) of the Developer or any other owner of property within the District to complete the property development as currently planned.

Utilities. The backbone infrastructure for the entire development has been completed and local utility providers have indicated that current capacity and authority exist to provide service to development within the District.

The most recent technical analysis of NCSD's water supply was performed in 2004. At that time, NCSD determined that it had sufficient water resources to supply the then-proposed 1,800 unit development within the District. This analysis has not been revised to date, and there can be no guarantees that future assessments of NCSD's water supply will reach the same conclusion. Moreover, NCSD allocates water on a first-come, first served basis; and so, in the absence of the development of additional water supplies, the annexation of additional territory to NCSD and the development thereof could reduce the supply of water available to the property in the District and adversely impact the planned development. In addition, issues such as drought and climate change, and changes in laws or regulations may impact the availability of water generally in the future. There can be no assurance that the supply of water available to NCSD will be sufficient to accommodate the development of the property in the District as currently planned. See "SPECIAL RISK FACTORS – Availability of Water."

Environmental Conditions. Set forth in the following paragraphs are summaries of environmental conditions and approvals applicable to the proposed development in the District:

The County examined the environmental effects of the development as follows:

- The Placer County Planning Commission approved the environmental impact report for the Village at public hearings in 2003 and 2006.

- Mountainside: The Placer County Planning Commission approved the environmental impact report for Mountainside at a public hearing on February 22, 2005.

Other environmental concerns relating to the proposed development and their resolution include:

- Holdrege & Kull prepared a Phase I Environmental and Site Assessment dated May 15, 2007 for the Mountainside portion of the proposed development. The Phase I ESA was performed in conformance with the scope and limitations of ASTM Practice E 1527-05. The Phase 1 assessment did not reveal evidence of recognized or historically recognized environmental conditions in connection with the subject properties. The assessment recommend continued monitoring and maintenance of the best management practices on a regular basis to protect surface waters, control soil erosion, and remain in compliance with regulatory requirements.

- An overall geotechnical review of property in the District was conducted prior to the commencement of the master plan's development and there were no findings that would inhibit or preclude the development plan from being executed.

- Certain projects have required the approval the California Department of Fish and Wildlife. However, there are no open permits and no additional permits are anticipated to be necessary to complete development in the District.

- National Pollutant Discharge Elimination System permits were issued and closed out for each completed project within the development. All projects which are currently under construction or development have open National Pollutant Discharge Elimination System permits. National Pollutant Discharge Elimination System permits will need to be acquired for future development within the District. The Developer does not expect the need to obtain National Pollutant Discharge Elimination System permits to be a material hurtle to completion of the proposed development in the District.

- A state certification under Section 401 of the Federal Clean Water Act and a federal permit under Section 404 of the Federal Clean Water Act were required for infrastructure development of the project. The Section 401 certification was issued in 2005. The Developer believes that the conditions of the Section 404 Permit have been satisfied. No additional Section 401 Certifications or Section 404 Permits are anticipated to be required to complete the proposed development in the District

- A mitigation measure is in place under the Master Conditional Use Permit and Environmental Impact Report to identify and avoid any special-status species in the vicinity of the proposed development or areas immediately adjacent to the proposed development. The Developer does not expect any special-status species or habitat issues to adversely impact the proposed development in the District.

The Developer and Other Owners

The Developer. The master developer of the land in the District is Northstar Mountain Properties, LLC (referred to herein together with related entities, as (the "Developer"). Northstar Mountain Properties, LLC is a wholly owned subsidiary of CREW Tahoe, LLC, a Delaware Limited Liability Company. East West Partners Tahoe Inc. ("East West Partners") is the appointed manager of the Developer and has been responsible for managing developing in the District since the District was formed in 2005. East West Partners Inc., a related entity to East West Partners, has been responsible for the development of over $5 billion of residential and commercial real estate, including resort communities in California, Utah and Colorado that are similar to the development proposed in the District. East West Partners, through CREW Tahoe and its subsidiaries, is also the owner of other projects in the vicinity of the District including Tahoe Mountain Club and Tahoe Mountain Resorts Real Estate. The investor partner of the CREW Tahoe is Crescent Resort Development LLC, a subsidiary of Crescent Real Estate Equities LP. The Developer previously filed Chapter 11 bankruptcy proceedings in February 2010 and emerged from bankruptcy in July 2010.

Key Staff of the Developer. Key staff members of the Developer are discussed below.

Blake L. Riva is Managing Partner for East West Partners Lake Tahoe business ventures. Mr. Riva has extensive mountain resort real estate development and project management experience. He oversees development and leads the sales and marketing strategy for the properties under the Tahoe Mountain Resorts umbrella. In addition, he has been involved with the management of Tahoe Mountain Club since its inception. Mr. Riva has been with the company for 25 years and was formerly Chief Financial Officer, responsible for financial reporting related to the consolidated operations of East West Partners and Crescent Real Estate Equities. Mr. Riva worked with East West Partners on the Lakemont project near Seattle, Washington. He has extensive experience in real estate development, accounting, finance and project management. Mr. Riva was controller for Seattle-based Lorig Associates, Inc., and began his career in the audit division of Arthur Andersen & Company, where he became a certified public accountant.

James Telling is a Senior Partner for East West Partners Lake Tahoe operations. Mr. Telling has extensive resort real estate development experience having developed numerous projects in Vail, Beaver Creek, Bachelor Gulch and Deer Valley. Mr. Telling has been with the company for 27 years and manages all development projects for East West's Tahoe operations. Prior to joining East West Mr. Telling worked for Vail Resorts in various roles and began his career in the audit division of Deloitte, Haskins & Sells, where he became a certified public accountant.

Hayes Parzybok is a Development Project Manager for East West Partners in Lake Tahoe. Mr. Parzybok began his career with Greystar Real Estate Partners in Denver, Colorado as a Financial Analyst and Project Manager. At Greystar, over the course of two years, he managed the execution of 526 multifamily units valued at $90 Million. Over the past nine years, Mr. Parzybok has either overseen or played a key role in over $850 million worth of infrastructure, residential and commercial development including the Village and the Ritz-Carlton. He represented the Developer in connection with the District's issuance of the 2005 Bonds and the 2006 Bonds. Mr. Parzybok graduated from the University of Denver's Burns School of Real Estate and Construction Management with a degree in Real Estate Finance.

Edward Morgan is the Vice President of Finance and is responsible for managing the financial aspects of East West Partner's operations in the Lake Tahoe region. He has served in various financial roles with East West Partners in Tahoe and in Colorado over the past 15 years. Mr. Morgan began his career with Saatchi & Saatchi Worldwide in New York City and worked in accounting and finance roles for Vail Resorts, Inc. and Kensington Partners, the developers of Cordillera in Edwards, Colorado, before joining East West Partners. He has been involved with all debt, equity and public financing in Tahoe since the business' inception and also manages human resources and technology for the company. Mr. Morgan has a B.A. from Colgate University in Hamilton, NY.

Other Owners. Although the Developer is the master developer of the planned improvements within the District, portions of the property within the District are not expected to be developed by the Developer or its affiliates but rather by several experienced real estate investors which own holdings within the District. These include:

Kennedy Wilson, acquired the Ritz-Carlton including the unsold Ritz Penthouses, in December 2012 and owns property with entitlements for 61 condominium residences in the Mountainside area. Founded in 1977, Kennedy Wilson is a NYSE traded international real estate investment and services company (NYSE: KW) headquartered in Beverly Hills, CA with 24 offices in the U.S., U.K., Ireland, Spain and Japan.

Welk Resorts ("Welk"), an experienced timeshare developer and sales organization, acquired 23 finished residences in the first phase of Northstar Lodge along with two development parcels which have entitlements for an additional 69 condominium units in phase 2 and 3. Welk operates Interval International (II) premier vacation home properties with theatre and golf facilities in Escondido (north of San Diego), golf in Palm Springs, a luxury resort setting in Cabo San Lucas, as well as a theatre and resort hotel in Branson. These resorts have been honored with Gold Crown status by Resort Condominiums International, a major worldwide vacation exchange organization. Welk recently remodeled and opened a new sales center in the Village and has begun construction on the next 37 unit phase 2 building of Northstar Lodge in the Village.

JMA Ventures, a full service real estate investment firm, serving as managing partner of over $500 million in existing projects spanning hospitality, leisure, residential developments, retail, office and industrial/telecom, owns the Constellation project immediately adjacent to The Ritz-Carlton, Lake Tahoe which consists of 17 finished units and a parcel entitled for development of 50 condominium units.

Development and Developer History

Since formation of the District, the Developer has undergone significant changes in ownership. At the outset, the owner of its managing member was East West Resort Development V, LLP, L.L.L.P. ("East West"), and the investor limited partner of East West was Crescent Resort Development, Inc. ("CRDI"), which was a wholly-owned subsidiary of Crescent Real Estate Equities LP, one of the largest publicly held real estate trusts in the country.

In 2007, Crescent was acquired by Morgan Stanley Real Estate ("Morgan Stanley"), and Morgan Stanley owned it until 2009. In 2009, Morgan Stanley defaulted on its debt to Barclays Bank, PLC ("Barclays") which led to an ownership transition from Morgan Stanley to Barclays. In late 2009 and early 2010, Barclays stopped funding the cash requirements of the Developer. This led the Developer to commence a Chapter 11 bankruptcy proceeding in February 2010. In July 2010, the Developer's plan to exit Chapter 11 bankruptcy proceedings was completed.

In the spring of 2010, the Developer defaulted on a construction loan on the Ritz-Carlton project. Senior lenders, led by Bank of America, took control of the project. In May 2010, the Placer County Superior Court appointed a receiver for the property. While the property was under the control of the receiver, neither the Developer nor the receiver made the special tax payments due in December 2010 or in April 2011. Bank of America foreclosed on the property in August 2011 and subsequently sold the property to Kennedy Wilson in December 2012. All delinquent special tax payments for the property have been brought current.

In 2006, an affiliate of the Developer, a joint venture between CRDI and Hyatt called "NHJV," was formed for development of the Northstar Lodge in the District. The partners contributed approximately $60 million in project equity and the balance of construction was funded with a $55 million loan from a syndicate led by JP Morgan Chase. The construction of the first phase of 34 units began in 2007 and was completed in 2008. The project was originally designed as fractional ownership interests. When the market for fractional ownership collapsed in 2009 and 2010, NHJV converted as many residences as possible to whole ownership and 11 sales were achieved. NHJV eventually became delinquent on its December 10, 2010, and April 10, 2011 Special Tax payments. As market conditions continued to languish into 2011, NHJV attempted to restructure its loan with JP Morgan Chase. JP Morgan Chase rejected the restructuring plans and appointed a receiver in November 2011. Neither the receiver nor NHJV made the special tax payments due on December 10, 2011 or April 10, 2012. Eventually, JP Morgan Chase foreclosed on the property in April 2012; an entity called LTMR Properties, LLC acquired the parcels through the foreclosure sale. In December 2012, LTMR Properties, LLC entered into a settlement agreement with the District relating to the payment of delinquent Special Taxes and subsequently paid all delinquent Special Tax payments due. This entity later sold the property to Welk Resorts in March 2013.

The property owned by the Developer in the District is not the only Developer related property to experience special tax delinquencies and foreclosure proceedings. The Developer owned Old Greenwood LLC and Old Greenwood Realty, Inc. (collectively, the "Old Greenwood Entities"). These Old Greenwood entities were formed to develop and sell properties within a development known as "Old Greenwood," which is a master-planned community approximately 10 miles from the District in the eastern portion of the Town of Truckee. During the bankruptcy proceedings discussed above, the special taxes owed by the Old Greenwood Entities to Truckee Donner Public Utility District Community Facilities District No. 03-1 (Old Greenwood) (the "Old Greenwood CFD") for properties owned in that district were not paid on time. As part of the Chapter 11 bankruptcy proceeding discussed above, the Old Greenwood Entities emerged from bankruptcy as part of the reorganization plan. Delinquent special tax payments were cured. Substantially all of the properties owned by the Old Greenwood Entities in the Old Greenwood CFD have been sold to a third party.

The Developer also owned or controlled entities which owned Gray's Station LLC and Gray's Crossing Development, LLC (collectively, the "Gray's Entities"). The Gray's Entities formed to develop the development known as "Gray's Crossing," which is another master-planned community approximately 10 miles from the District in the eastern portion of the Town of Truckee. During the bankruptcy proceedings discussed above, the special taxes owed by the Gray's Entities to Truckee Donner Public Utility District Community Facilities District No. 04-1 (Gray's Crossing) for properties owned in that district were not paid on time and remain delinquent to this date. As part of the bankruptcy proceeding discussed above, the Gray's Entities did not emerge from bankruptcy as part of the reorganization plan. The Developer does not believe there is any recourse against it with respect to the bankrupt Gray's Entities. The Developer believes the ongoing Gray's bankruptcies will not adversely affect the Developer's ability to complete the proposed development within the District or to pay Special Taxes levied by the District when due.

The Developer resumed development of the District in July 2010 following its emergence from bankruptcy. Since that time, in excess of $60 million of equity capital has been invested in the development from CREW Tahoe, LLC.

Future Development Plans of the Developer

The Developer recently completed a $6 million 3,800 square foot recreational amenity known as "Treehouse" which includes a pool, fitness and game rooms for residents of the Mountainside area. The Developer recently broke ground on the next 17 townhomes, referred to as lots 9A and 10C, in July 2014. The remaining 10 single family lots are currently in the planning phase and the Developer has not broken ground on them. The Developer plans to construct the remaining 22 Village Walk townhomes in the next 3 years. The Developer also plans to construct distinct condominium and townhome communities on the Mountainside area.

The Developer has sold and closed on five Home Run Townhomes year to date at prices ranging from $1,800,000 to $2,400,000 and on one Martis25 lot at a price of $1,645,000. Business plans call for the sale of the remaining four recently completed Home Run Townhomes and 14 additional Martis25 lots. One Martis25 lot is under contract with a scheduled close in September. Through July 1, 2014 Home Run Townhome sales are pacing ahead of the Developer's business plan while Martis25 is pacing behind. The Developer's market analysis suggests that the second half of year is typically busier than the first in terms of Tahoe regional real estate closings as summer visitation leads to purchases prior to the upcoming ski season.

Through June 30, 2014 Crescent has funded $6,000,000 in equity to enable the completion of the Home Run Townhomes, completion of the Tree House amenity, to complete design on 17 future townhomes, to operate the Tahoe Mountain Club, and to manage land and plan for future development at Northstar. While the annual business plan calls for a net return of $5,000,000 equity to Crescent in 2014, Crescent has committed to make additional equity contributions or accept a lesser distribution to allow developer to fund construction of the next 17 townhomes in Mountainside. Crescent and the Developer are also actively seeking construction financing for future projects with the aid of one of the largest and most successful national real estate capital intermediaries. The Developer believes there will be construction financing available for the next townhome project in 2014.

The full development of the property within the District requires the expenditure of substantial amounts of capital. Table 5 below has been provided by the Developer to indicate its present projection of the sources and uses of funds associated with the near-term development of the District. There can be no assurance that the Developer will have timely access to the sources of funds which will be necessary to complete the proposed development. There can also be no assurance that there will be no substantial changes in the sources and uses of funds shown below. Table 5 reflects the Developer's current projections of costs associated with developing the property within the District in the next five years. Many factors beyond the Developer's control, or a decision by the Developer to alter its current plans may cause the Developer's actual sources and uses of funds to differ from the projections in Table 5. Table 5 is presented to show that expected revenues make the proposed development feasible and not to guarantee a particular cash flow to the Developer.

TABLE 5
DEVELOPER'S PRO FORMA CASH FLOW

CREW - TAHOE PROJECTS	*ACTUAL 2010 - 2H*	*ACTUAL 2011*	*ACTUAL 2012*	*ACTUAL 2013*	*FORECAST 2014*	*FORECAST 2015*	*FORECAST 2016*	*FORECAST 2017*	*FORECAST 2018*	*FORECAST 2019*
CREW TAHOE TOTAL SUMMARY										
Fraction Sales	25	55	73	-	-	-	-	-	-	-
Whole Ownership Sales - Townhomes, Condos, Lots	-	-	3	7	24	37	46	62	79	50
Club Initiation Deposits and Dues/Sale	$ 886,550	$ 2,416,039	$ 2,015,632	$ 2,610,531	$ 2,685,325	$ 2,991,000	$ 3,593,000	$ 3,663,000	$ 3,990,000	$ 4,463,000
Realty Revenues/Other Operations	732,529	2,175,885	1,755,381	1,310,762	1,455,774	1,681,000	1,823,000	2,015,000	2,115,750	2,221,538
Gross RE Sales Revenue	1,640,995	1,642,000	13,737,426	10,805,259	41,258,079	73,362,726	73,076,796	99,441,300	126,605,690	79,431,300
Closing Costs	(143,328)	(453,809)	(113,999)	(463,466)	(1,944,896)	(7,132,244)	(4,956,513)	(7,668,295)	(7,956,763)	(6,040,750)
Net Revenue	**$ 3,116,746**	**$5,780,114**	**$ 17,394,440**	**$14,263,086**	**$ 43,454,282**	**$ 70,902,482**	**$ 73,536,283**	**$ 97,451,005**	**$124,754,677**	**$ 80,075,087**
Other Projects & Admin Costs	($ 7,235)	($ 446,957)	($ 359,197)	($ 683,990)	($ 1,491,500)	($ 535,000)	($ 235,000)	($ 235,000)	($ 235,000)	($ 235,000)
Land Payment	-	-	-	-	310,511	(1,376,830)	(5,846,144)	(6,354,504)	(8,260,855)	(6,354,504)
Construction Costs	(326,170)	(7,382,086)	(9,164,187)	(6,699,003)	(17,969,778)	(37,919,554)	(45,106,338)	(57,688,390)	(49,232,790)	(43,184,443)
Marketing	(305,388)	(354,379)	(941,155)	(478,071)	(806,888)	(2,102,664)	(2,516,444)	(3,724,963)	(3,230,897)	(3,034,667)
Project Management	(1,531,774)	(3,144,655)	(3,080,399)	(2,947,134)	(3,098,909)	(942,653)	(111,356)	(149,946)	(237,919)	(39,916)
Other Soft Costs	(4,661,143)	(11,127,160)	(8,765,804)	(7,441,630)	(10,193,736)	(12,523,987)	(16,495,204)	(18,393,058)	(21,759,831)	(18,101,510)
Mello-Roos Special Tax Carry	(1,065,027)	(3,981,700)	(4,777,900)	(4,089,000)	(4,547,300)	(3,845,790)	(3,545,790)	(3,245,790)	(2,945,790)	(2,645,790)
HOA Dues	(733,782)	(923,479)	(654,255)	(288,778)	(180,800)	-	-	-	-	-
Interest	(60,912)	(101,843)	(113,912)	(12,646)	4,587	(857,484)	(2,165,050)	(3,202,050)	(3,084,050)	(2,855,050)
Recapitalization/Legal	(12,871,743)	(1,688,387)	(1,391,117)	(512,100)	(178,500)	-	-	-	-	-
Total Expenses	**($21,563,174)**	**($29,150,645)**	**($29,247,925)**	**($23,152,353)**	**($38,152,313)**	**($60,103,962)**	**($76,021,326)**	**($92,993,702)**	**($88,987,132)**	**($76,450,880)**
Bank Borrowing	-	-	-	-	-	$ 35,275,000	$ 53,021,200	$ 51,203,600	$ 50,352,200	$ 53,432,000
Bank Repayment	-	-	-	-	-	(16,590,000)	(45,683,000)	(49,508,000)	(55,245,000)	(54,885,000)
Minority Interest	3,037	4,432	3,477	3,914	252,255	(1,054,440)	-	-	-	-
Cash on Hand (beginning of period)	4,110,997	2,879,000	1,293,000	103,000	1,218,000	1,772,000	-	-	-	-
Net Cash Flow	**($14,332,000)**	**($20,487,000)**	**($10,557,000)**	**($8,782,000)**	**$ 6,772,000**	**$30,201,000**	**$ 4,853,000**	**$ 6,153,000**	**$30,875,000**	**$ 2,171,000**
CREW - TAHOE NEW EQUITY	**($15,336,000)**	**($21,780,000)**	**($10,660,000)**	**($10,000,000)**	-	-	-	-	-	-
CASH DISTRIBUTIONS	-	-	-	-	**$ 5,000,000**	**$30,201,000**	**$ 4,853,000**	**$6,153,000**	**$30,875,000**	**$ 2,171,000**
Total Cash on hand (end of period)	2,879,000	1,293,000	103,000	1,218,000	1,772,000	-	-	-	-	-
Cumulative Crew-Tahoe Equity	($15,336,000)	($37,116,000)	($47,776,000)	($57,776,000)	($52,776,000)	($22,575,000)	($17,722,000)	($11,569,000)	$19,306,000	$21,477,000

Source: The Developer

THE DISTRICT

General Description of the District

The District consists of approximately 456.27 gross acres and is located west of State Highway 267 in the County, approximately six miles north of Lake Tahoe. The District consists of a portion of the Northstar California resort, one of the Lake Tahoe area's largest and busiest ski resorts. The Northstar California resort is operated by North America's leading mountain resort operator, Vail Resorts, which also operates Heavenly and Kirkwood ski resorts in California, The Canyons in Utah, and Vail, Beaver Creek, Breckenridge, and Keystone mountain resorts in Colorado.

Planned development within the District includes approximately 305,000 square feet of commercial development (including the Ritz-Carlton), approximately 1,228 condominium units (including some fractional ownership units), approximately 237 townhome units, and 35 single family units. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP."

Formation Proceedings

Formation Proceedings. The District was formed by NCSD pursuant to the Act. The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State of California (the "State"). Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness. The Board of Directors of NCSD (the "Board of Directors") acts as the legislative body of the District.

Pursuant to the Act, the Board of Directors adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of special taxes on taxable property within the boundaries of the District, and to have the District incur bonded indebtedness. Following public hearings conducted pursuant to the provisions of the Act, the Board of Directors adopted resolutions establishing the District and calling special elections to submit the levy of the special taxes and the incurring of bonded indebtedness to the qualified voters of the District. On May 3, 2005, at an election held pursuant to the Act, the Developer, which was at the time the sole qualified voter of the District, authorized the District to incur bonded indebtedness in an aggregate principal amount not to exceed $125,000,000 and approved the original rate and method of apportionment of the special taxes for the District. On May 24, 2011, the Board of Directors held an election of the qualified voters of the District at which the requisite majority of voters approved an amended rate and method of apportionment of the special taxes for the District (the "Amended Rate and Method"). Accordingly, the Amended Rate and Method replaced the original rate and method. The changes in the Amended Rate and Method did not reduce the aggregate amount of special taxes that may be levied at build out of the District and did not change the special tax coverage from 110% of Maximum Annual Debt Service on the then outstanding 2005 Bonds and 2006 Bonds. A copy of the Amended Rate and Method is set forth in Appendix A hereto.

Property Values

As a result of Proposition 13, the assessed values of property in California do not necessarily reflect their respective fair market values. However, albeit somewhat imperfectly, trends in assessed valuations in a given area may tend to indicate trends in the market value of the subject properties. Table 6 below sets forth the gross assessed value of all of the Taxable Property within the District (including the Undeveloped Property the value of which is indicated elsewhere in this Official Statement on the basis of its appraised value) and the annual percentage change in such assessed value for Fiscal Years 2006-07 through 2014-15.

TABLE 6
NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
ANNUAL CHANGE IN ASSESSED VALUE

Fiscal Year	***Total Assessed Value*** [1]	***Percent Change***
2006-07	$172,968,672	--
2007-08	267,501,746	54.7%
2008-09	446,288,835	66.8
2009-10	548,330,705	22.9
2010-11	466,801,531	(14.9)
2011-12	456,599,938	(2.2)
2012-13	445,618,589	(2.4)
2013-14	449,916,220	1.0
2014-15	443,787,457	(1.4) [2]

(1) Assessed values of taxable property within the District as of January 1 prior to the beginning of such Fiscal Year.
(2) The 2014-15 decrease in assessed valuation is primarily due to the reduction of the assessed value of the Ritz East parcel owned by Kennedy Wilson in the amount of $13,876,359. If not for this reduction, the assessed value of property in the District would have increased in 2014-15.
Source: Placer County Assessor's Office, Goodwin Consulting Group, Inc.

Estimated Direct and Overlapping Indebtedness

Property within the boundaries of the District is also included within the boundaries of a number of overlapping local agencies providing public services. Some of these local agencies have outstanding bonds which are secured by taxes and assessments on the parcels within the District, and some of them may have authorized but have not yet issued bonds which, if issued, will be secured by taxes and assessments levied on parcels within the District. The approximate amount of the direct and overlapping debt secured by such taxes and assessments on the parcels within the District as of July 1, 2014 is shown in the following table.

The Overlapping Debt Summary has been derived from data assembled and reported to the District by California Municipal Statistics, Inc., as of July 1, 2014. None of the District, NCSD, or the Underwriter has independently verified the information in the Overlapping Debt Summary and none of these entities guarantees its completeness or accuracy.

TABLE 7
DIRECT AND OVERLAPPING DEBT SUMMARY
NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1

2013-14 Local Secured Assessed Valuation:		$449,916,220
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 7/1/14
Sierra Joint Community College District School Facilities Improvement District No. 1	2.861%	$886,959
Tahoe-Truckee Joint Unified School District	2.722	216,776
Tahoe-Truckee Joint Unified School District School Facilities Improvement District No. 1	5.081	1,140,833
Tahoe Forest Hospital District	2.860	2,817,338
Northstar Community Services District Community Facilities District No. 1	100.	111,860,000[(1)]
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$116,921,906
OVERLAPPING GENERAL FUND DEBT[(2)]:		
Placer County Certificates of Participation	0.818%	$342,458
Placer County Office of Education Certificates of Participation	0.818	14,838
Sierra Joint Community College District Certificates of Participation	0.611	58,846
Tahoe-Truckee Joint Unified School District Certificates of Participation	0.818	33,600
TOTAL OVERLAPPING GENERAL FUND DEBT		$449,742
COMBINED TOTAL DEBT		$117,371,648

(1) Includes all of the outstanding 2005 Bonds and 2006 Bonds. Excludes the impact of the refunding to be accomplished by the issuance of the 2014 Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2013-14 Assessed Valuation:
Direct Debt ($111,860,000) 24.86%
Total Direct and Overlapping Tax and Assessment Debt 25.99%
Combined Total Debt.. 26.09%

Source: California Municipal Statistics, Inc.

In addition to the bonded indebtedness set forth in Table 7, it is possible that new community facilities districts or special assessment districts might be formed which could include all or a portion of the District and might issue more bonds and levy additional special taxes or other taxes and assessments. In addition to the Special Taxes, the property owners in the District will be required to pay the general *ad valorem* property taxes applicable to their parcels.

Estimated Tax Burden

Table 8 below sets forth an estimated property tax bill for the average residential condominium and townhome unit sizes, respectively.

TABLE 8
NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
FISCAL YEAR 2013-14 SAMPLE TAX BILLS FOR
A CONDOMINIUM UNIT PROPERTY AND TOWNHOME UNIT PROPERTY

	Condominium Unit	***Townhome Unit***
Average Assessed Value [(1)]	$ 921,250	$1,920,000
Fiscal Year 2013-14 *Ad Valorem* Property Taxes [(2)]	$ 10,029	$ 20,901
Parcel Charges, Assessments, and Special Taxes [(3)]	5,653	9,152
Total Taxes	**$ 15,682**	**$ 30,053**
Total Effective Tax Rate (as % of Assessed Value)	**1.70%**	**1.57%**

(1) Fiscal Year 2013-14 assessed valuation for one condominium unit and one townhome unit selected to represent the average assessed value for each unit type as classified under the Amended Rate and Method.
(2) Based on the Fiscal Year 2013-14 *ad valorem* tax rates for tax rate areas within the District. *Ad valorem* tax rates are subject to change in future years.
(3) Based on the Fiscal Year 2013-14 charges identified on the Placer County-issued property tax bills. Charges subject to change in future years.
Sources: Placer County Treasurer-Tax Collector's Office, Goodwin Consulting Group, Inc.

Value of Taxable Property

Composite Value of Property. The taxable property in the District has a composite value of $578,892,437. The "composite"` value is the sum of: (a) the appraised value of the Undeveloped Property as of June 1, 2014; (b) the County's assessed value of Developed Property for Fiscal Year 2014-15 except as noted in clause (c); and (c) the sales prices reported by the Developer for property conveyed subsequent to January 1, 2014.

Appraised Value of Undeveloped Property. In order to provide information with respect to the value of the Undeveloped Property within the District, the District engaged Cushman & Wakefield of Colorado, Inc., Denver, Colorado (the "Appraiser"), to undertake an appraisal (the "Appraisal") of such property. The Appraiser has an "MAI" designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the District and has no material relationships with the District or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal and other similar engagements for the District. The Appraiser has represented to the District that Appraisal was prepared in conformity with District-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal is included as APPENDIX B to this Official Statement.

Based upon the assumptions and limiting conditions contained in the Appraisal, it is the opinion of the Appraiser that, as of June 1, 2014, the market value of the Undeveloped Property in the District was $131,500,000. Among the assumptions made by the Appraiser in reaching this opinion are the following: a) that final plat maps will be granted for the various land areas to be platted and developed in the future with individual units; b) that the remaining development within the District will, in large part, remain true to the proposed project in terms of unit sizing, placement, pricing, and amenities; c) that the Developer is capable of constructing master planned communities of this type and has the financial capabilities for complete community build out; d) the value estimates in the Appraisal are dependent upon completion of construction of the planned improvements in substantial conformance with the information provided to the Appraiser; and e) that prudent management and aggressive regional marketing will be implemented during all phases of sell out of the community. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the property within the District may be less than the amount reported in the Appraisal Report. In any case, there can be no assurance that any portion of the property within the District would actually sell for the amount indicated by the Appraisal Report.

The Appraisal Report merely indicates the Appraiser's opinion as to the market value of the property referred to therein as of the date and under the conditions specified therein. The Appraiser's opinion reflects conditions prevailing in the applicable market as of the date of value. The Appraiser's opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

The District makes no representations as to the accuracy of the Appraisal. There is no assurance that property within the District can be sold for the prices set forth in the Appraisal or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the land owner. See "SPECIAL RISK FACTORS — Land Values" and APPENDIX B — "APPRAISAL."

It is a condition precedent to the issuance of the 2014 Bonds that the Appraiser deliver to the District a certification to the effect that, while the Appraiser has not updated the Appraisal since the date of the Appraisal and has not undertaken any obligation to do so, nothing has come to the attention of the Appraiser subsequent to the date of the Appraisal that would cause the Appraiser to believe that the value of the property in the District which was the subject of the Appraisal is less than the value of such property reported in the Appraisal. However, the Appraiser notes that acts and events may have occurred since the date of the Appraisal which could result in both positive and negative effects on market value within the District.

Developed Property. No appraisal of the Developed Property within the District has been performed in connection with the issuance of the 2014 Bonds; and the values of such properties that are set forth herein are their respective assessed values as shown on the County's assessment roll for Fiscal Year 2014-15, except that the sales prices (as reported by the Developer), rather than the assessed values, have been used in the case of properties that have been conveyed subsequent to the January 1, 2014 lien date applicable to such assessment roll. As a result of Proposition 13, the assessed values of property in California do not necessarily respect their respective fair market values.

Estimated Value-to-Lien Ratios

Table 9 below sets forth the estimated value-to-lien ratios for taxable property ownership within the District based upon the composite value of property. The taxable property in the District has an aggregate value to lien of approximately 5.18:1, though nearly 76% of the Special Taxes that would be levied in Fiscal Year 2014-15 if portions of the 2005 Bonds and 2006 Bonds were not refunded by the 2014 bonds would be borne by properties with a value-to-lien ratio of less than 2:1. No assurance can be given that any of the value-to-lien ratios in Table 9 will be maintained during the period of time that the 2014 Bonds are outstanding.

TABLE 9
NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
VALUE-TO-LIEN SUMMARY

Value-to-Lien Category	*Number of Taxable Parcels*	*Estimated Fiscal Year 2014-15 Actual Special Tax Assuming No Refunding[(1)]*	*Percent of Estimated Special Tax*	*Composite Value[(2)]*	*Pro Rata Share of CFD Bonds[(3)]*	*Composite Value-to-Lien[(4)]*
30.00 : 1 and above	78	$ 80,573	1.13%	$ 92,066,295	$ 1,264,840	72.79
20.00 : 1 to 29.99 : 1	122	411,819	5.78	149,930,850	6,464,754	23.19
10.00 : 1 to 19.99 : 1	267	924,931	12.98	203,058,903	14,519,590	13.99
5.00 : 1 to 9.99 : 1	59	185,378	2.60	23,154,813	2,910,077	7.96
3.00 : 1 to 4.99 : 1	26	131,924	1.85	7,928,553	2,070,953	3.83
2:00 : 1 to 3:99 : 1	3	10,218	0.14	453,023	160,403	2.82
Less than 2.00 : 1	8	5,380,890	75.51	102,300,000	84,469,383	1.21
Total	**563**	**$ 7,125,734**	**100.00%**	**$ 578,892,437**	**$ 111,860,000**	**5.18**

Parcels with Less than 2.00 : 1 Composite Value-to-Lien

Description	**Owner**					
APN: 110-081-017-000 (4.0 acres)	The Developer	$ 10,410	0.15%	$ 300,000	$ 163,417	1.84
APN: 110-050-071-000 (113.2 acres)	The Developer	2,095,642	29.41	60,300,000	32,897,446	1.83
APN: 110-400-005-000 (25.8 acres)	The Developer	608,987	8.55	3,300,000	9,559,897	0.35
APN: 110-050-072-000 (125.5 acres)	The Developer	1,757,849	24.67	22,700,000	27,594,774	0.82
Future Constellation (Ritz West)	JMA Ventures	236,592	3.32	5,000,000	3,714,024	1.35
Future Ritz Residences (Ritz East)	Kennedy Wilson	323,668	4.54	5,500,000	5,080,957	1.08
Northstar Lodge Phase 3	Welk Resorts	151,419	2.12	2,411,594	2,376,975	1.01
Northstar Lodge Phase 2	Welk Resorts	196,323	2.76	2,788,406	3,081,892	0.90
Total		**$ 5,380,890**	**75.51%**	**$ 102,300,000**	**$ 84,469,383**	**1.21**

(1) Does not reflect reduced levy in Fiscal Year 2014-15 that is expected as a result of the refunding of portions of 2005 Bonds and 2006 Bonds.
(2) Appraised value of Undeveloped Property, 2014-15 assessed value of Developed Property and incremental sales prices over assessed values (as reported by the Developer) for parcels conveyed subsequent to the January 1, 2014 lien date for the County's assessment roll.
(3) Allocated based on the proportionate share of "Estimated Fiscal Year 2014-15 Special Tax Assuming No Refunding" and $111,860,000 outstanding principal amount of 2005 Bonds and 2006 Bonds.
(4) Calculated by dividing the "Composite Value" by the "Pro Rata Share of Bonds." Value-to-lien ratio does not include approximately $5.5 million of overlapping assessment debt and general obligation bonds secured by ad valorem taxes on the property. See "– Estimated Direct and Overlapping Indebtedness" above.
Sources: Placer County Assessor's Office, Goodwin Consulting Group, Inc.

Delinquency History and Draws on Reserve Account

Table 10 below summarizes the Special Tax delinquencies for property within the boundaries of the District for Fiscal Years 2006-07 through 2013-14. Following the economic crisis, delinquencies in the District rose to 9.76% in Fiscal Year 2009-2010 and then spiked to 45.15% in Fiscal Year 2010-11. Properties owned by affiliates of the Developer were responsible for 98% of these delinquencies. As discussed in "THE DEVELOPMENT AND PROPERTY OWNERSHIP – Development and Developer History," the Placer County Superior Court appointed a received for the Ritz-Carlton property in May 2010. While the property was under the control of the receiver, neither the Developer nor the receiver made the special tax payments due in December 2010 or in April 2011.

The Developer , through its affiliated NHJV, was also delinquent on its December 2010 and April 10, 2010 Special Tax payments relating to the Northstar Lodge property. A receiver was appointed for this property in November 2011. Neither the receiver nor NHJV made the special tax payments due on December 10, 2011 or April 10, 2012.

As a result of delinquencies in the payment of special taxes, the Trustee was required to draw on the Reserve Account for the 2005 Bonds and the 2006 Bonds in order to make timely payment of principal of and interest on the Bonds on March 1 and September 1 of 2011. These delinquencies have since been cured, and the Reserve Account has subsequently been fully restored to its required balance. See "SPECIAL RISK FACTORS — Developer Delinquencies."

The delinquency rate for Fiscal Year 2013-14 was 0.31% as of June 20, 2014. Currently, there are no Special Tax foreclosure actions in process in the District.

Development within the District has recommenced and the real estate market in the area shows some signs of stabilizing and improving. However, no assurances can be given that such stabilization and improvement will continue or that property owners within the District will be able to avoid additional future delinquencies. Large delinquencies in the future could result in a draw on the Reserve Account of the Special Tax Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due.

TABLE 10
NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX DELINQUENCY HISTORY

		As of the End of Each Fiscal Year				*As of June 20, 2014*		
Fiscal Year	*Special Tax Levy*	*Number of Parcels Delinquent*	*Amount Delinquent* [1]	*Percentage Delinquent*	*Special Tax Collected*	*Number of Parcels Delinquent*	*Amount Delinquent* [1]	*Percentage Delinquent*
2006-07	$ 671,899	2	$ 3,098	0.46%	$ 668,801	0	$ 0	0.00%
2007-08	835,147	7	10,898	1.30	824,249	0	0	0.00
2008-09	5,443,170	67	27,206	0.50	5,415,963	0	0	0.00
2009-10	6,005,975	54	586,398	9.76	5,419,577	0	0	0.00[2]
2010-11	6,494,717	28	2,932,396	45.15	3,562,320	0	0	0.00[2]
2011-12	6,761,362	8	337,214	4.99	6,424,148	0	0	0.00[2]
2012-13	7,146,411	8	6,610	0.09	7,139,801	5	1,335	0.02
2013-14	7,040,948	--	--	--	--	15	21,814	0.31

(1) Delinquent amount does not include penalties, interest, or fees.
(2) Large delinquencies in these Fiscal Years were collected through foreclosure actions in 2012.
Sources: Placer County Treasurer-Tax Collector's Office, Goodwin Consulting Group, Inc.

Principal Taxpayers

In Fiscal Year 2014-15, the Special Taxes are being levied on 563 parcels of which 54 parcels are owned by the Developer. Those 54 parcels are responsible for approximately 67% of the total Special Tax levy for said Fiscal Year. Table 11 below describes the top ten taxpayers in the District, as well as information on composite value of these owners' parcels, the Fiscal Year 2014-2015 maximum and estimated Special Tax that would be billed to these owners assuming no refunding of 2005 Bonds and 2006 Bonds, these owners' pro rata share of the currently outstanding 2005 Bonds and 2006 Bonds, and the value to lien ratios of these owners' parcels. The information in this table does not reflect the refunding of portions of the 2005 and 2006 Bonds to be effected through the issuance of the 2014 Bonds.

TABLE 11
NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
TOP 10 TAXPAYERS

Property Owner[1]	*Project Name*	*Number of Parcels*	*Composite Value* [2]	*Fiscal Year 2014-15 Maximum Special Tax*	*Estimated Fiscal year 2014-15 Actual Special Tax Assuming No Refunding* [3]	*Percent of Actual Special Tax*	*Pro Rata Share of District Bonds* [4]	*Composite Value-to-Lien* [5]
The Developer	Undeveloped Property, Future Townhomes	54	$ 125,770,196	$ 5,336,868	$ 4,766,050	66.89%	$ 74,817,602	1.68
Welk Resorts	Northstar Lodge Phases 1, 2, and 3	19	20,106,597	428,351	409,977	5.75	6,435,824	3.12
Kennedy Wilson	The Ritz-Carlton Lake Tahoe, Future Ritz Residences	10	63,004,494	379,818	379,818	5.33	5,962,387	10.57
JMA Ventures	Portions of Constellation	8	10,793,778	302,171	273,460	3.84	4,292,788	2.51
Exclusive Resorts	Portion of Trailside Townhomes	10	19,364,000	57,364	57,364	0.81	900,508	21.50
Ritz-Carlton Development Company	Portions of Constellation	10	19,266,105	52,883	52,883	0.74	830,156	23.21
One Village Place Sun Belt	Portions of One Village Place	58	6,824,543	41,516	41,516	0.58	651,717	10.47
Welk Resorts Platinum Owners Association[6]	Portion of Northstar Lodge Phase 1	6	5,130,313	21,631	21,631	0.30	339,567	15.11
CNL / Vail Resorts	Portion of Village Commercial	50	18,969,412	19,237	19,237	0.27	301,980	62.82
MNMC Properties	3 units in separate projects	3	2,689,517	11,413	11,413	0.16	179,164	15.01
Subtotal		228	$ 291,918,955	$ 6,651,252	$ 6,033,349	84.67%	$ 94,711,694	3.08
All Other Property Owners		335	286,973,482	1,094,453	1,092,386	15.33	17,148,306	16.73
Grand Total		**563**	**$ 578,892,437**	**$ 7,745,705**	**$ 7,125,734**	**100.00%**	**$ 111,860,000**	**5.18**

(1) Based on an ownership search of the Placer County Assessor's website conducted on June 17, 2014.
(2) Represents (i) values of Undeveloped Property reported in the Appraisal; (ii) the Fiscal Year 2014-15 assessed values of Developed Property (except as provided in clause (iii)) and (iii) the sales prices (as reported by the Developer) of properties conveyed subsequent to the January 1, 2014 lien date for the assessed values.
(3) Does not reflect a reduced tax levy in Fiscal Year 2014-15; actual Fiscal Year 2014-15 tax levy is expected to be lower due to the partial refunding of the 2005 Bonds and 2006 Bonds.
(4) Allocated based on the proportionate share of estimated Fiscal Year 2014-15 actual special taxes and $111,860,000 outstanding principal amount of Bonds.
(5) Calculated by dividing "Composite Value" by "Pro Rata Share of District Bonds." Composite Value-to-lien ratio does not include overlapping bonds secured by ad valorem taxes on the property.
(6) Welk Resorts Platinum Owners Association is listed as the owner of these parcels; the District does not know the corporate relationship between Welk Resorts and Welk Resorts Platinum Owners Association.

Sources: Placer County Assessor's Office, Goodwin Consulting Group, Inc.

SPECIAL RISK FACTORS

The purchase of the 2014 Bonds involves significant investment risks and, therefore, the 2014 Bonds may not be suitable investments for many investors. ***THE UNDERWRITER IS RESTRICTING INITIAL SALES OF THE 2014 BONDS TO "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND WILL REQUIRE EACH INITIAL PURCHASER TO DELIVER TO IT A LETTER REPRESENTING THAT IT IS SUCH A QUALIFIED INSTITUTIONAL BUYER IN SUBSTANTIALLY THE FORM ATTACHED HERETO AS APPENDIX H.***

The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the 2014 Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the 2014 Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See "SPECIAL RISK FACTORS — Property Values; Value-to-Lien Ratios" and "— Limited Secondary Market" below.

Risks of Real Estate Secured Investments Generally

The Owners of the 2014 Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property or commercial buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires, landslides and floods), which may result in uninsured losses; (iv) adverse changes in local market conditions; and (v) increased delinquencies due to rising mortgage costs and other factors. The recent history of the District highlights the risks associated with the cyclical nature of resort developments and the impact on the ability of the District to pay debt service on the Bonds.

Risks Related to Type of Development

Many of the residential structures in the District, especially the fractional interest condos and townhomes therein, are not the primary residences of the owners thereof. The value of such structures is therefore dependent, to a considerable degree, on their attractiveness as vacation homes; and this can be impacted by factors beyond the control of the Developer such as the cost of transportation to and from the principal residences of the owners and other competing vacation home opportunities. Moreover, the values of vacation home properties, and of fractional interests therein, tend to fluctuate more than the values of primary residences.

Further, the attractiveness of the development to potential purchasers is heavily dependent upon snow levels and skiing conditions during the ski season. None of the Developer, Vail Resorts, or the District can control snowfall levels or, for the most part, skiing conditions. Ski seasons with below average snowfall in the Sierra Nevada mountains, such as the 2013-2014 ski season and other recent ski seasons, can negatively impact the attractiveness of the development to potential purchasers. It is not clear what impact, if any, environment conditions such as global warming will have on snowfall in the Sierra Nevada mountains. However, the Lake Tahoe region is an equally busy summer vacation area due to offerings at the Lake, on the many golf courses in the region, and all the summer activities provided by the outdoors and National Forests.

Development within the District competes with other projects under active development or in the region, including, but not limited to, existing and planned development north of the District in the Martis Valley. One such development in the Martis Valley, Lahontan, includes an 880 acre golf and amenity-based second home community with approximately 500 lots, approximately one half of which have luxury homes built on them. Another such development is Schaffer's Mill, which is a 475 acre community consisting of 218 single family homes, 188 townhome-type product, and an 18-hole golf course. Another planned development in the Martis Valley is Martis Camp, which is adjacent to the District. At build out, Martis Camp is expected to include 653 single family estate lots which average two acres per lot. Martis Camp includes numerous high end amenities, including a Tom Fazio-designed golf course and a ski lift connecting to Northstar California. These developments may compete with development in the District in that they are bringing new luxury resort housing to the Truckee/North Lake Tahoe market. In addition, the Developer is in early stages of planning for an approximate 700 unit future development adjacent to the District. Success of development in the District will depend, in part, on the ability of the Developer and other developers in the District to successfully compete with these developments.

Risks Related to Current Market Conditions

The housing market in California experienced significant price appreciation and accelerating demand from approximately 2002 to 2005 but subsequently the housing market weakened substantially, with changes from the prior pattern of price appreciation and a slowdown in demand for new housing and declining prices. Beginning in 2007, home developers, appraisers and market absorption consultants reported weak housing market conditions due to factors including but not limited to the following: (i) lower demand for new homes; (ii) significant increase in cancellation rates for homes under contract; (iii) the exit of speculators from the new home market; (iv) increasing mortgage defaults and foreclosures; (v) a growing supply of new and existing homes available for purchase; (vi) increase in competition for new homes orders; (vii) prospective home buyers having a more difficult time selling their existing homes in the more competitive environment; (viii) reduced sales prices and/or higher incentives required to stimulate new home orders or to induce home buyers not to cancel purchase contracts; (ix) more stringent credit qualification requirements by home loan providers and (x) increased unemployment levels. Many of these factors were exacerbated by the resort nature of development in the District. One or more of these factors may negatively affect property values in the District and affect the willingness or ability of taxpayers to pay their Special Tax payment prior to delinquency.

Economic Uncertainty

The 2014 Bonds are being issued at a time of economic uncertainty and volatility. The unemployment rate in the County is approximately 6.0% as of May 2014 (not seasonally adjusted) as compared to approximately 7.6% for calendar year 2013 (not seasonally adjusted) and approximately 7.1% (not seasonally adjusted) for the State as of May 2014 as compared to approximately 8.9% for calendar year 2013 (not seasonally adjusted). The District cannot predict how long these conditions will last or whether to what extent they may affect future development, the ability of property owners to pay Special Taxes, or the marketability of the 2014 Bonds.

Concentration of Ownership and Properties with Lower Values-to-Lien

Based on the ownership status of the property within the District as of June 17, 2014, assuming no additional sales within the District and not reflecting the refunding to be accomplished through issuance of the 2014 Bonds, approximately 67% of the Special Taxes levied in Fiscal Year 2014-2015 would be payable by the Developer. Further, approximately 75.5% of Special Taxes would be levied on property with a composite value-to-lien ratio of less than 2:1. A failure of the Developer, other owners, or any successor(s), to pay the annual Special Taxes when due could result in a draw on the Reserve Account of the Special Tax Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. The Developer has previously defaulted in the payment of Special Taxes in the District and elsewhere. See "SPECIAL RISK FACTORS — Developer Delinquencies." No assurance can be given that the Developer or its successors will complete the remaining intended construction and development in the District. See "— Failure to Develop Properties."

Availability of Construction Financing

The ability of the Developer and other property owners in the District to develop property within the District is partially dependent on the availability of construction financing. At this time, the Developer believes that sufficient construction financing is available to allow it to develop properties in the District as planned. However, no guarantees can be made that such construction financing will remain available or that it will be available to all owners within the District that have future development plans.

Availability of Home Loans

The availability of loans for potential purchasers of units and lots in the District may impact the ability of the Developer and other owners of property to sell units and the lots within the District. No guarantees can be made that such home loans will be available or what impact, if any, such availability will have on the Developer and other property owners' ability to develop the District as envisioned.

Limited Obligations

The Bonds and interest thereon are not payable from the general funds of NCSD. Except with respect to the Special Taxes, neither the faith and credit nor the taxing power of the District or NCSD is pledged for the payment of the Bonds or the interest thereon; and, except as provided in the Trust Indenture, no Owner of the Bonds may compel the exercise of any taxing power by the District or NCSD or force the forfeiture of any NCSD or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of NCSD or a legal or equitable pledge, charge, lien or encumbrance upon any of NCSD's or the District's property or upon any of NCSD's or the District's income, receipts or revenues, except the Special Taxes and other amounts pledged under the Trust Indenture.

Insufficiency of Special Taxes

Under the Amended Rate and Method, the annual amount of Special Tax to be levied on each Parcel of Taxable Property in the District will generally be based on whether such parcel is categorized as Undeveloped Property or as Developed Property and on the land use class and the Tax Zone to which a parcel of Developed Property is assigned. See APPENDIX A — "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2014 BONDS — Special Taxes — Amended Rate and Method of Apportionment of Special Taxes."

The maximum Special Taxes that may be levied within the District are at least 110% of Maximum Annual Debt Service on the Bonds. Notwithstanding that the maximum Special Taxes that may be levied in the District exceed debt service due on the Bonds, the Special Taxes actually collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation. Further, in accordance with the Act, in no event shall the Special Tax levied upon any Assessor's Parcel of Developed Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District. See 'SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes."

The Amended Rate and Method governing the levy of the Special Tax expressly exempts from the Special Tax, all Public Property (as defined in Appendix A), except Taxable Public Property (as defined in Appendix A), parcels which have prepaid their Special Tax, parcels owned by a public utility for an unmanned facility, parcels subject to certain easements, and parcels of Ski Property. As of July 2014, approximately 50 acres are exempt from the levy of the Special Tax and approximately 100 acres total are eventually expected to be exempt from the levy of the Special Tax. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP — The Development Plan." If for any reason more property within the District becomes exempt from taxation, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

Moreover, if a substantial additional portion of land within the District became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Tax which could be levied upon the remaining property within the District might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, are customarily billed to the properties within the District on the ad valorem property tax bills sent to owners of such properties. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Collection and Application of Special Taxes*." The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do ad valorem property tax installments. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2014 BONDS — Special Taxes — *Proceeds of Foreclosure Sales*," for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Trust Indenture, in the event of delinquencies in the payment of Special Taxes. See "SPECIAL RISK FACTORS — FDIC/Federal Government Interests in Properties" below, for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessments and limitations on the District's ability to foreclose on the lien of the Special Taxes in certain circumstances.

Developer Delinquencies

The Developer and other property owners in the District have experienced delinquencies in the payment of Special Taxes due to the District. See "THE DISTRICT — Delinquency History and Draws on Reserve Account." No guarantees can be made that the Developer or other owners of property in the District won't experience additional delinquencies in the future. Any such delinquencies could cause draws on the Reserve Account and impact the ability of the District to pay debt service on the Bonds.

Failure to Develop Properties

Further development of property within the District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the Developer or any property owner to pay the Special Taxes when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development of land in the District is also subject to the availability of water. Finally, development of land is subject to economic considerations.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners should it be necessary for the District to foreclose on the property due to the nonpayment of Special Taxes. The failure to complete further development in the District as planned, or substantial delays in the completion of the development or the required infrastructure for the development due to litigation or other causes, may reduce the value of the property within the District and increase the length of time during which Special Taxes will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within the District to pay the Special Taxes when due.

There can be no assurance that land development operations within the District will not be adversely affected by additional future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Bondowners should assume that any event that significantly impacts the ability to develop land in the District would cause the property values within the District to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within the District to pay the Special Taxes when due.

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, landslides, floods or other natural disasters. Northern California is a seismically active area, and the area in which the District is located has been the site of wildfires in the past. Seismic activity, wildfires and other natural disasters represent potential risks for damage to buildings, roads, bridges and property within the District. The ability of property owners (including, but not limited to, the Developer) to purchase insurance for such events may impact the ability to develop the properties in the District as planned. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of a seismic event. According to records available from the State of California Department of Conservation and the United States Geological Service, the property within the District is not within an Alquist-Priolo Earthquake Fault Zone. However, the greater Lake Tahoe region is a seismically active area and the land within the District will likely be subject to seismic shaking at some time in the future.

In the event of a severe earthquake, fire, landslide, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Availability of Water

The area where the District is located, the Sierra Nevada mountains, is prone to recurring periods of drought. The area is currently in such a period of drought and the duration of the drought cannot be predicted. The availability of water can have a substantial impact on the ability of the Developer and others to fully develop properties within the District as planned. NCSD reports that sufficient water supplies exist or can be developed to serve the planned development within the District. However, those water supplies are not guaranteed to be available to the Developer and others if other projects in the vicinity access the supply sooner or if the supply is reduced due to drought or other reasons. No guarantees can be given that there will be sufficient water supply to fully develop the District.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive

Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency. Certain environmental assessments have been performed on property in the District. See “THE DEVELOPER AND PROPERTY OWNERSHIP — The Development Plan – *Entitlement* Summary” and “ **-** *Environmental Conditions.*

Parity Taxes and Special Assessments

Property within the District is subject to taxes and assessments imposed by public agencies also having jurisdiction over the land within the District. See “THE DISTRICT — Estimated Direct and Overlapping Indebtedness and Estimated Tax Burden.”

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by NCSD and 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 Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by agencies or instrumentalities of the federal government. See “SPECIAL RISK FACTORS — Bankruptcy and Foreclosure” and “FDIC/Federal Government Interests in Properties” below.

Neither NCSD nor the District has control over the ability of other entities and districts to issue indebtedness secured by special taxes, ad valorem taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of NCSD, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Any such special taxes, *ad valorem* taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for property within the District described herein.

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax, even if the value of the parcel is sufficient, may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy, and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. NCSD has caused a Notice of Special Tax lien to be recorded in the Office of the Recorder for the County against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the District or lending of money thereon.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Non-Cash Payments of Special Taxes

Under the Act, the Board of Directors, as the legislative body of the District, may reserve to itself the right and authority to allow the owner of any taxable parcel to tender a Bond in full or partial payment of any installment of the Special Taxes or the interest or penalties thereon. A Bond so tendered is to be accepted at par and credit is to be given for any interest accrued thereon to the date of the tender. Thus, if Bonds can be purchased in the secondary market at a discount, it may be to the advantage of an owner of a taxable parcel to pay the Special Taxes applicable thereto by tendering a Bond. Such a practice would decrease the cash flow available to the District to make payments with respect to other Bonds then outstanding; and, unless the practice was limited by the District, the Special Taxes paid in cash could be insufficient to pay the debt service due with respect to such other Bonds. In order to provide some protection against the potential adverse impact on cash flows which might be caused by the tender of Bonds in payment of Special Taxes, the Trust Indenture includes a covenant pursuant to which the District will not authorize owners of taxable parcels to satisfy Special Tax obligations by the tender of Bonds unless the District shall have first obtained a report of an Independent Financial Consultant certifying that doing so would not result in the District having insufficient Special Tax revenues to pay the principal of and interest on all Outstanding Bonds when due.

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

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District has no recourse against the owner.

Property Values; Value-to-Lien Ratios

The value of the property within the District is a critical factor in determining the investment quality of the 2014 Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires, landslides or floods, stricter land use regulations, delays in development or other events may adversely impact the security underlying the Special Taxes. There is no assurance that assessed values will not decline in the future. See "THE DISTRICT — Estimated Value-to-Lien Ratios" herein.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the Placer County Assessor, generally not to exceed an increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value.

No assurance can be given that the estimated value-to-lien ratios as set forth in Table 9 and Table 11 will be maintained over time. As discussed herein, many factors which are beyond the control of the District could adversely affect the property values within the District. The District does not have any control over the amount of additional indebtedness that may be issued by other public agencies, the payment of which is the levy of a tax or an assessment is on a parity with the Special Taxes. A decrease in the assessed values in the District or an increase in the indebtedness secured by taxes and amounts with parity liens on property in the District, or both, could result in a lowering of the value-to-lien ratio of the property in the District.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2014 BONDS — Special Tax — *Proceeds of Foreclosure Sales*." See "THE DISTRICT – *Estimated Value-to-Lien Ratios*" for information about the value-to-lien status of properties in the District, including properties of the Developer, JMA Ventures, Kennedy Wilson and Welk Resorts.

FDIC/Federal Government Interests in Properties

The ability of the District to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to parcels in which the Federal Deposit Insurance Corporation (the "FDIC"), or other federal government agencies or instrumentalities such as Fannie Mae, Freddie Mac, the Drug Enforcement Agency, the Internal Revenue Service, has or obtains an interest.

In the case of the FDIC, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable Special Tax is not paid, the remedies available to the District may be constrained. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the non-payment of taxes.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County, California in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels 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 would prevent or delay the foreclosure sale.

In the case of Fannie Mae and Freddie Mac, in the event a parcel of taxable property or a security interest therein (such as a mortgage or deed of trust) is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair a federal government interest. This means that, unless Congress has otherwise provided, if a federal government sponsored entity owns a parcel of taxable property 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. In addition, it means that, 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 the sale can be effected without impairing the federal government's mortgage interest. For a discussion of risks associated with taxable parcels within the District becoming owned by the federal government, federal government entities or federal government sponsored entities, see "— Insufficiency of Special Taxes."

The District's remedies may also be limited in the case of delinquent Special Taxes with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of Beneficial Owners of the 2014 Bonds. The payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2014 BONDS — Special Taxes — *Proceeds of Foreclosure Sales*." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner or of a related party could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

The various legal opinions to be delivered concurrently with the delivery of the 2014 Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Moreover, the ability of the District to commence and prosecute enforcement proceedings may be limited by bankruptcy, insolvency and other laws generally affecting creditors' rights (such as the Soldiers' and Sailors' Relief Act of 1940) and by the laws of the State relating to judicial foreclosure.

No Acceleration Provision

The 2014 Bonds do not contain a provision allowing for the acceleration of the 2014 Bonds in the event of a payment default or other default under the 2014 Bonds or the Trust Indenture.

Loss of Tax Exemption

As discussed under the caption "LEGAL MATTERS — Tax Exemption," the interest on the 2014 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2014 Bonds as a result of a failure of the District to comply with certain provisions of the Internal Revenue Code of 1986, as amended, or a change in legislation. Should such an event of taxability occur, the 2014 Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the redemption provisions of the Trust Indenture.

Limitations on Remedies

Remedies available to the Beneficial Owners of the 2014 Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the 2014 Bonds or to preserve the tax-exempt status of the 2014 Bonds.

Bond Counsel has limited its opinion as to the enforceability of the 2014 Bonds and of the Trust Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. 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 Beneficial Owners of the 2014 Bonds.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the 2014 Bonds or, if a secondary market exists, that the 2014 Bonds can be sold at all or for any particular price. Although the District has committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Beneficial Owners on a timely basis. See "CONTINUING DISCLOSURE." The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Proposition 218

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIIC and Article XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative have not yet been interpreted by the courts, although several lawsuits have been filed requesting the courts to interpret various aspects of the Initiative. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIII 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. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

> "Section 3 of Article XIIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution."

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the 2014 Bonds.

It may be possible, however, for voters or the Board of Directors acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the District has covenanted in the Trust Indenture that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels within the District to an amount that is less than 110% of Maximum Annual Debt Service on the Outstanding Bonds in each future Bond Year. In connection with the foregoing covenant, the District has made a finding and determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Bonds. The District also has covenanted in the Trust Indenture that, in the event an initiative is adopted which purports to alter the Amended Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

The interpretation and application of the Initiative 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."

Ballot Initiatives

Articles XIIIC and XIIID of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, NCSD, the District or other governmental agencies to increase revenues or to increase appropriations.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement with Goodwin Consulting Group, as dissemination agent (the "Disclosure Agreement"), the District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) website, or other repository authorized under Rule 15c2-12 adopted by the Securities and Exchange Commission, certain annual financial information and operating data concerning the District, and the occurrence of certain enumerated events. The Annual Report to be filed by the District is to be filed not later than February 1 of each year, beginning February 1, 2015, and is to include audited financial statements of NCSD. The requirement that NCSD file its audited financial statements as a part of the Annual Report has been included in the Disclosure Certificate solely to satisfy the provisions of Rule 15c2-12. The inclusion of this information does not mean that the 2014 Bonds are secured by any resources or property of NCSD. The 2014 Bonds are not general or special obligations of NCSD. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2014 BONDS" and "SPECIAL RISK FACTORS — Limited Obligations." The full text of the Disclosure Certificate is set forth in APPENDIX E — "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Failure of the District to comply with the Disclosure Certificate will not be considered an event of default under the Trust Indenture. However, any holder of the 2014 Bonds may take such action as is necessary and appropriate, including seeking mandate or a judgment for specific performance, to cause the District to comply with its obligations with respect to the Disclosure Agreement.

The District entered into an agreement to provide continuing disclosure under Rule 15c2 12(b)(5) in connection with the issuance of the 2005 Bonds and the 2006 Bonds. (NCSD, the governing body of the District, has no separate continuing disclosure obligation with respect to the Bonds or any other obligations.) The District's annual reports for fiscal years 2009-10, 2011-12, and 2012-13 did not include the required financial statements of the District. The District posted audited financial statements for fiscal year 2009-10 on June 15, 2011 and for fiscal year 2011-12 on July 11, 2014. Neither the audited nor unaudited financial statements are currently available for fiscal year 2012-13 due to recent staffing turnover at NCSD. As a result, the District's incomplete filing for fiscal year 2012-2013 has not yet been corrected to date. During the last five years, the District has not failed to file material event notices in timely fashion. In June 2014, NCSD, as legislative body of the District, adopted policies related to complying with future continuing disclosure obligations.

The Developer entered into agreements to provide continuing disclosure under Rule 15c2 12(b)(5) in connection with the issuance of the 2005 Bonds and 2006 Bonds. While the Developer has prepared and disseminated semi-annual reports over the last five years, in several instances, these reports were late. Specifically, the relevant annual reports due September 1st of each year were filed on September 3rd in 2009, September 16th in 2011, September 12th in 2012 and September 5th in 2013. The Dissemination Agent filed notices that the Annual Reports required to be submitted by the Developer with respect to the District had not been filed on time in 2011 and 2012 but not in 2009 and 2013

In the last five years, there were several material event notices required by the Developer, many of which were promptly disclosed. However, there were several instances in fiscal year 2010-11 and 2011-12 when significant delinquencies in the payment of Special Taxes on property were not promptly filed by the Developer for parcels that the Developer or its affiliates had owned. In these cases, the subject parcels were held in receivership after the Developer or its affiliates had defaulted on construction loans; in those circumstances, whether the Developer or another entity remained responsible for providing material events notices was not clear.

To assist the Underwriter in complying with Rule 15c2 12(b)(5), the Developer will enter into a Continuing Disclosure Agreement (the "Developer Disclosure Agreement") covenanting to provide an Annual Report not later than September 1 of each year beginning September 1, 2014, and a Semi-Annual Report each March 1 beginning March 1, 2015. The Annual Reports provided by the Developer are to contain audited financial statements, if any are prepared, and the additional financial and operating data outlined in the Developer Disclosure Agreement attached in Appendix E.

The Developer Disclosure Agreement will inure solely to the benefit of the District, any Dissemination Agent, the Underwriter, and owners or beneficial owners from time to time of the Bonds.

LEGAL MATTERS

Tax Exemption

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2014 Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the 2014 Bonds may be included as an adjustment in calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

In the opinion of Bond Counsel, the difference between the issue price of a 2014 Bond (the first price at which a substantial amount of the 2014 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such 2014 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable 2014 Bond. The amount of original issue discount that accrues to the Beneficial Owner of the 2014 Bonds is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the 2014 Bonds (including any original issue discount) is based upon certain representations of fact and certifications made by the District, the Underwriter and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the 2014 Bonds to assure that interest on the 2014 Bonds (including any original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2014 Bonds (including any original issue discount) to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2014 Bonds. The District will covenant to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable 2014 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner's basis in the applicable 2014 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a 2014 Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2014 Bond to the Beneficial Owner. Purchasers of the 2014 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2014 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2014 Bonds might be affected as a result of such an audit of the 2014 Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2014 Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2014 Bonds or their market value.

Subsequent to the execution and delivery of the 2014 Bonds, there might be federal, state or local statutory changes (or judicial or regulatory interpretations of federal, state or local law) that affect the federal, state or local tax treatment of the interest on the 2014 Bonds or the market value of the 2014 Bonds. Legislative changes have been proposed in congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the 2014 Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the 2014 Bonds. No assurance can be given that, subsequent to the execution and delivery of the 2014 Bonds, such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the 2014 Bonds, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the 2014 Bonds.

Bond Counsel’s opinion may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Trust Indenture and the Tax Certificate relating to the 2014 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) with respect to any 2014 Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest on the 2014 Bonds (including any original issue discount) is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the accrual or receipt of interest on the 2014 Bonds (including any original issue discount) may otherwise affect the tax liability of the recipient. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the 2014 Bonds.

Should interest on the 2014 Bonds (including any original issue discount) become includable in gross income for federal income tax purposes, the 2014 Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Trust Indenture.

The proposed form of Bond Counsel’s opinion with respect to the 2014 Bonds is attached as Appendix F.

Litigation

No litigation is pending or threatened concerning the validity of the 2014 Bonds, the pledge of Special Taxes to repay the 2014 Bonds or the powers or authority of the District with respect to the 2014 Bonds, or seeking to restrain or enjoin development of the land within the District; and a certificate of the District to that effect will be furnished to the Underwriter at the time of the original delivery of the 2014 Bonds by the District’s General Counsel.

The Developer reports that there is no material litigation threatened or pending which would materially impact the Developer’s ability pay the Special Taxes due on the property it owns or the Developer’s ability to develop its properties within the District as discussed herein.

Legal Opinion

The validity of the 2014 Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX F hereto and will accompany the 2014 Bonds. Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation expresses no opinion as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the 2014 Bonds and expressly disclaims any duty to advise the Beneficial Owners of the 2014 Bonds as to matters related to this Official Statement.

No Rating

The District has not applied to have the 2014 Bonds rated by any nationally recognized bond rating company, and it does not expect to do so in the future.

Underwriting

The 2014 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the 2014 Bonds at a price of $20,158,988.71, which is equal to the principal amount of the 2014 Bonds ($19,320,000, plus an original issue premium of $1,042,944.25 and less an Underwriter's discount of $203.955.54). The purchase agreement relating to the 2014 Bonds provides that the Underwriter will purchase all of the 2014 Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the 2014 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

Financial Interests

The fees being paid to Bond Counsel, Disclosure Counsel, Underwriter's Counsel, and the Underwriter are contingent upon the issuance and delivery of the 2014 Bonds.

Pending Legislation

The District is not aware of any significant pending legislation which would have material adverse consequences on the 2014 Bonds or the ability of the District to pay the principal of and interest on the 2014 Bonds when due.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the 2014 Bonds. Quotations and summaries and explanations of the 2014 Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions.

The execution and delivery of this Official Statement by an authorized representative of the District has been duly authorized by the Board of Directors acting in its capacity as the legislative body of the District.

NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1

By: /s/ ______________________________
General Manager
of the Northstar Community Services District

APPENDIX A

AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR NORTHSTAR COMMUNITY SERVICES DISTRICT COMMUNITY FACILITIES DISTRICT NO. 1

A Special Tax applicable to each Assessor's Parcel in the Northstar Community Services District Community Facilities District No. 1 (herein "CFD No. 1" or "CFD") shall be levied and collected according to the tax liability determined by the Board of Directors or its designee, through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 1, unless exempted by law or by the provisions of Section F below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the California Government Code.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the NCSD carrying out its duties with respect to CFD No. 1 and the Bonds, including, but not limited to, levying and collecting the Special Tax, the fees and expenses of legal counsel, charges levied by the County Auditor's Office, Tax Collector's Office, and/or Treasurer's Office, costs related to property owner inquiries regarding the Special Tax, amounts needed to calculate and pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements for the Bonds and the Special Tax, and all other costs and expenses of the NCSD in any way related to the establishment or administration of CFD No. 1.

"Administrator" means the Person designated by the NCSD to administer the Special Tax according to this RMA.

"Affiliate" of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 15% or more of the outstanding voting securities of such other Person, (b) any Person 15% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person; for purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

"Anticipated Development Plan" means the most current Final Map, Condominium Plan, conditional use permit, or other such approved or recorded map or plan that identifies the type of structure, Square Footage, and/or the number of Residential Units that are approved to be developed on Parcels of Taxable Property, all as determined by the Administrator.

"Apartment Building" means a residential structure with multiple residential dwelling units, all of which are offered for rent and are not available for sale to individual owners.

"Assessor's Parcel" or **"Parcel"** means a lot or parcel, including an airspace parcel, that is or will be shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

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

"Authorized Facilities" means those public facilities authorized to be funded by CFD No. 1 as set forth in the formation documents of the CFD.

"Backup Special Tax" means the Special Tax set forth in Section C.3 below that may be levied on Undeveloped Property pursuant to Step 4 of Section D of this RMA.

"Base Special Tax" means the rates set forth in Section C.2.a below.

"Base Non-Residential Special Tax" means the rates set forth in Section C.2.c below.

"Board of Directors" or **"Board"** means the Board of Directors of the NCSD.

"Bonds" means bonds or other debt (as defined in the Act), whether in one or more series, issued, insured or assumed by CFD No. 1 related to public infrastructure and/or improvements that are authorized to be funded by CFD No. 1.

"Building Permit" means a permit that allows for construction of all or a portion of a residential, retail, commercial or hotel structure, including but not limited to the foundation thereof.

"Condominium Plan" means a plan as defined in Civil Code Section 1351(e).

"Condominium Unit" means (1) a residential condominium as described in Civil Code Section 1351(f) and (2) any residential dwelling that is not a Single Family Detached Unit, a Townhome Unit, or included within an Apartment Building, as determined by the Administrator.

"County" means the County of Placer.

"Designated Developed Parcels" means the Parcels of Developed Property identified in Attachment 1 of this RMA.

"Developed Property" means, in any Fiscal Year, the following:

- for Residential Property, all Parcels for which a Building Permit was issued prior to June 1 of the preceding Fiscal Year but not prior to June 1, 2004

- for Non-Residential Property, all Parcels for which a certificate of occupancy was issued for a non-residential structure prior to June 1 of the preceding Fiscal Year but not prior to June 1, 2004

"Final Map" means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots on which Building Permits for new construction are expected to be issued pursuant to the Anticipated Development Plan for such lots.

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

"Fractional Unit" means a Residential Unit for which multiple owners may each purchase a fractional share of ownership (also referred to as a timeshare unit by the California Department of Real Estate).

"Future Development Parcels" means the Parcels identified in Attachment 2 of this RMA and all future Parcels created from subdivision or reconfiguration of the Parcels in Attachment 2.

“**Maximum Special Tax”** means the greatest amount of Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Sections C.1 and C.2 below, except that, solely in the case of Undeveloped Property under the circumstances described in Section C.3 (that is only for the purposes of Step 4 of Section D), “Maximum Special Tax” shall mean the Backup Special Tax.

“NCSD” means the Northstar Community Services District.

“Non-Residential Property” means, in any Fiscal Year, all or a portion of any Parcel in CFD No. 1 that is planned for, or has had one or more buildings constructed that are used for or are expected to be used for, a retail, commercial or hotel use. Notwithstanding the foregoing, if a Building Permit is issued for a structure that will include both Residential Units and non- residential Square Footage, the Residential Units within the building will be categorized as Residential Property, and the Special Tax shall be calculated separately for the Residential Units and non-residential Square Footage on the Parcel.

“Person” means an individual, a corporation, a partnership, an association, a joint stock company, a trust, a limited liability company, an unincorporated organization or a government or political subdivision thereof.

“Proportionately” means for purposes of Section D: for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, Proportionately means that the ratio of the actual Special Tax to the Maximum Special Tax is equal for all Assessor’s Parcels of Undeveloped Property. For Taxable Public Property, Proportionately means that the ratio of the actual Special Tax to the Maximum Special Tax is equal for all Assessor’s Parcels of Taxable Public Property. For purposes of Section C, Proportionately means that the ratio the Special Tax will have to be increased to produce the Maximum Special Tax for a Parcel that was subdivided or reconfigured is equal for all of the newly-created Parcels.

“Public Property” means any property within the boundaries of CFD No. 1 that is owned by the federal government, the State of California, the County, the NCSD, or other public agency.

“Purchase Price” means the amount, if any, that is payable to Northstar Mountain Properties, LLC and its successors and assigns or any Affiliate thereof pursuant to an agreement between Northstar Mountain Properties, LLC and its successors and assigns or any Affiliate thereof and the NCSD for the acquisition of Authorized Facilities.

“Residential Property” means, in any Fiscal Year, all or a portion of any Parcel in CFD No. 1 that is planned for, or has had one or more buildings constructed that: (i) include one or more Residential Units, or (ii) are Apartment Buildings. Notwithstanding the foregoing, if a Building Permit is issued for a structure that will include both Residential Units and non-residential Square Footage, the Residential Units within the building will be categorized as Residential Property, and the Special Tax shall be calculated separately for the Residential Units and non- residential Square Footage on the Parcel.

“Residential Unit” means a Single Family Detached Unit, Townhome Unit, or Condominium Unit.

“RMA” means this Amended and Restated Rate and Method of Apportionment of Special Tax.

“Single Family Detached Unit” means an individual residential dwelling unit that does not share a common wall with another residential dwelling unit.

“Ski Property” means, in any Fiscal Year, all or a portion of any Parcel within the CFD that is used exclusively or planned exclusively for development of part of the Northstar ski operations (including, but not be limited to, ski runs, ski lifts, vehicle storage, maintenance areas and facilities, and open space) and does not have Residential Units or non-residential Square Footage located or entitled for location on the Parcel as determined by the Administrator.

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

"Special Tax Requirement" means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds which is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish reserve funds for the Bonds; (iii) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or, based on existing delinquencies in the payment of Special Taxes, are expected to occur in the Fiscal Year in which the tax will be collected; and (iv) pay Administrative Expenses. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to a Bond indenture, Bond resolution, or other legal document that sets forth these terms; (ii) proceeds received by CFD No. 1 from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

"Square Foot" or **"Square Footage"** means the square footage within the living area of a Residential Unit or net leasable square footage of a non-residential structure reflected on a Condominium Plan, Building Permit for new construction, or other such document. If the Square Footage from the Condominium Plan is inconsistent with the Square Footage reflected on the Building Permit issued for construction of a Residential Unit, the Square Footage from the Condominium Plan shall be used to determine the Target Special Tax pursuant to Section C.2 below. Square footage within a Residential Unit that is used as a home office or an at-home business venture shall not be categorized as Non-Residential Property.

"Subdivision/Reconfiguration Map" means a parcel map, subdivision map, Condominium Plan, boundary line adjustment, or any other map recorded with the County Recorder's Office that results in the subdivision or reconfiguration of one or more Parcels in the CFD.

"Target Special Tax" means the rates set forth in Section C.2.b below.

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

"Taxable Public Property" means any Parcel of Public Property that had in its entirety been a Parcel of Taxable Property in a prior Fiscal Year and, as such, had been subject to a Special Tax levy that was not prepaid when the public agency took ownership of the Parcel.

"Townhome Unit" means an individual residential dwelling unit that (i) shares one or more common walls with another residential dwelling unit, (ii) is physically attached to the land underneath the unit, and (iii) the fee simple land underneath the unit is or will be conveyed with each such unit.

"Undeveloped Property" means, in any Fiscal Year, all Parcels of Taxable Property within the CFD that are not Developed Property.

B. DATA FOR CFD ADMINISTRATION

At any time throughout the Fiscal Year, when a Subdivision/Reconfiguration Map is recorded or property is otherwise reconfigured, the Administrator shall apply the applicable subsections in Section C below to determine the Maximum Special Tax for each Parcel created by the subdivision or reconfiguration. On an ongoing basis, the Administrator shall keep an updated record of the current Assessor's Parcel numbers for all Parcels of Taxable Property in CFD No. 1 and the corresponding Maximum Special Tax for each Parcel.

On or about July 1 of each Fiscal Year, the Administrator shall also determine: (i) whether each Assessor's Parcel of Taxable Property is a Designated Developed Parcel or a Future Development Parcel, (ii) for Future Development Parcels, whether each Parcel is Developed Property or Undeveloped Property, (iii) for Residential

Property, the number and Square Footage of Single Family Detached Units, Townhome Units, and Condominium Units developed or anticipated to be developed on each Parcel, (iv) for Non-Residential Property, the Square Footage on each Parcel, and (v) the Special Tax Requirement. In each Fiscal Year, the Administrator shall make the final determination of the land use, Residential Units, and Square Footage on each Parcel.

In any Fiscal Year, if it is determined that (i) a Subdivision/Reconfiguration Map for a portion of property in CFD No. 1 was recorded after the last date upon which the Assessor will incorporate the newly-created Parcels into the then current tax roll, and (ii) because of the date the Subdivision/Reconfiguration Map was recorded, the Assessor does not yet recognize the new Parcels created by the Subdivision/Reconfiguration Map, the Administrator shall calculate the Special Tax for the property affected by recordation of the Subdivision/Reconfiguration Map by determining the Special Tax that applies separately to each newly-created Parcel, then applying the sum of the individual Special Taxes to the original Parcel that was subdivided by recordation of the Subdivision/Reconfiguration Map.

C. MAXIMUM SPECIAL TAX

1. *Designated Developed Parcels*

The Maximum Special Tax for each Designated Developed Parcel in CFD No. 1 for Fiscal Year 2011-12 is identified in Attachment 1 of this RMA and shall not, regardless of development status, parcel configuration, or reduction in Square Footage, be decreased in any future Fiscal Year and shall not be increased in any future Fiscal Year by more than two percent (2%) of the Maximum Special Tax in effect in the prior Fiscal Year.

2. *Future Development Parcels*

The Maximum Special Tax for each Future Development Parcel in CFD No. 1 at the time this RMA was adopted by the Board of Directors is identified in Attachment 2. The Maximum Special Tax for each such Parcel will be reallocated and recalculated when (i) the Parcel subdivides or is reconfigured, (ii) a Building Permit is issued for new construction of a Single Family Detached Unit or Townhome Unit, (iii) a Condominium Plan is recorded that creates Condominium Units, (iv) a certificate of occupancy is issued for a non-residential structure, or (v) any other change occurs to the Parcel that requires a recalculation of the Maximum Special Tax pursuant to any subsection of this Section C.2. At such time, the Administrator will apply the appropriate subsection below to determine the revised Maximum Special Tax for the Parcel or Parcels.

a. Subdivision or Reconfiguration of Residential Property

When all or any portion of a Future Development Parcel is subdivided or reconfigured, and all of the newly-created Parcels of Taxable Property are determined to be Residential Property, the Administrator shall apply the following steps to determine the Maximum Special Tax for each newly-created Parcel. Notwithstanding the foregoing, if a Parcel of Taxable Property is subdivided due to recordation of a Condominium Plan, Section C.2.b.iii shall be used to determine the Maximum Special Tax for each Condominium Unit within the Condominium Plan.

For purposes of this Section C.2.a, the following Base Special Tax rates shall be used:

TABLE 1
BASE SPECIAL TAX

Land Use Category	*Base Special Tax Fiscal Year 2011-12**
Single Family Detached Unit	$6,000 per Unit
Townhome Unit	$5,500 per Unit
Condominium Unit	$5,000 per Unit

* *On July 1, 2012 and each July 1 thereafter, the Base Special Taxes shown above shall be increased by two percent (2%) of the Base Special Tax amount in effect in the prior Fiscal Year.*

Step 1: Determine whether each Parcel is entitled to be developed with Single Family Detached Units, Townhome Units, or Condominium Units. In making this determination, the Administrator will coordinate with the NCSD and property owner(s), will review Anticipated Development Plans, and will reference any other source of information the Administrator determines to be useful to estimate the number of Residential Units expected to be developed on each Parcel. The Administrator shall make the final determination of the type and number of Residential Unit(s) entitled to be developed on each Parcel for purposes of calculating the applicable Special Tax.

Step 2: Multiply the applicable Base Special Tax by the number of expected Residential Units on each newly-created Parcel.

Step 3: Sum the amount determined in Step 2 for all Parcels created by the subdivision or reconfiguration.

Step 4: Compare the amount calculated in Step 3 to the Maximum Special Tax that applied to the original Parcel that was subdivided or reconfigured. Based on this comparison:

4a: If the amount from Step 3 is equal to or greater than the original Maximum Special Tax for the Parcel that was subdivided or reconfigured, the new Maximum Special Tax for each newly- created Parcel will be the amount determined in Step 2.

4b: If the amount from Step 3 is less than the original Maximum Special Tax for the Parcel that was subdivided or reconfigured, the new Maximum Special Tax for each newly-created Parcel will be determined by increasing the amount calculated for each Parcel in Step 2 Proportionately until the sum of the amount that can be collected from all the newly-created Parcels is equal to the original Maximum Special Tax for the Parcel that was subdivided or reconfigured.

b. Recordation of a Condominium Plan or Issuance of a Building Permit for Residential Property

When a Condominium Plan records that creates Condominium Units, or when a Building Permit is issued for any Residential Unit(s) which will not, prior to construction, be included within a recorded Condominium Plan, the Administrator shall apply the appropriate subsection below.

For purposes of this Section C.2.b, the following Target Special Taxes will be used:

TABLE 2
TARGET SPECIAL TAX

Square Footage of Residential Unit	*Target Special Tax Fiscal Year 2011-12**
Less than 1,001 square feet	$3,500 per Unit
1,001 to 1,400 square feet	$4,000 per Unit
1,401 to 1,800 square feet	$4,500 per Unit
1,801 to 2,200 square feet	$5,000 per Unit
2,201 to 2,600 square feet	$5,500 per Unit
2,601 to 3,000 square feet	$6,000 per Unit
3,001 to 3,400 square feet	$6,500 per Unit
3,401 to 4,000 square feet	$7,000 per Unit
4,001 to 4,600 square feet	$7,500 per Unit
4,601 to 5,200 square feet	$8,000 per Unit
5,201 to 6,000 square feet	$8,500 per Unit
6,001 to 7,000 square feet	$9,000 per Unit
7,001 to 8,000 square feet	$9,500 per Unit
Greater than 8,000 square feet	$10,000 per Unit

* On July 1, 2012 and on each July 1 thereafter, the Target Special Taxes shown above shall be increased by two percent (2%) of the Target Special Tax rate in effect in the prior Fiscal Year.

i. Single Family Detached Units

When a Building Permit is issued for a Single Family Detached Unit, the Administrator will identify (i) the expected Square Footage of the Single Family Detached Unit as reflected on the Building Permit, and (ii) the corresponding Target Special Tax. If the Target Special Tax is less than the current Maximum Special Tax that is assigned to the Parcel, the existing Maximum Special Tax will continue to apply to the Parcel. If the Target Special Tax is greater than the existing Maximum Special Tax for that Parcel, the Target Special Tax will be the new Maximum Special Tax for the Parcel.

ii. Townhome Units

When a Building Permit is issued for a Townhome Unit, the Administrator will identify (i) the expected Square Footage of the Townhome Unit as reflected on the Building Permit, and (ii) the corresponding Target Special Tax. If the Target Special Tax is less than the current Maximum Special Tax that is assigned to the Parcel, the existing Maximum Special Tax will continue to apply to the Parcel. If the Target Special Tax is greater than the existing Maximum Special Tax for that Parcel, the Target Special Tax will be the new Maximum Special Tax for the Parcel.

Notwithstanding the foregoing, if a property owner is issued Building Permits for multiple Townhome Units prior to June 1 of any Fiscal Year, the property owner may, by June 30 of that Fiscal Year, send a written request to the NCSD to compare (i) the aggregate Maximum Special Tax for some or all of such Townhome Units to (ii) the amount that would be generated if each Townhome Unit were instead assigned the applicable Target Special Tax based on the Square Footage of each unit. If the sum of the Target Special Taxes for the Townhome Units exceeds the aggregate Maximum Special Tax for the Parcels, the Target Special Tax shall be the new Maximum Special Tax for each Parcel. If the sum of the Target Special Taxes for the Townhome Units is less than the aggregate Maximum Special Tax for the Parcels, the Administrator shall increase the Target Special Tax for each Townhome Unit

Proportionately until the sum of the adjusted Target Special Taxes is equal to the aggregate Maximum Special Tax for the Parcels.

iii. Condominium Units

iii(a). Recordation of a Condominium Plan

When a Condominium Plan is recorded that creates Condominium Units, the Administrator shall apply the following steps to determine the Maximum Special Tax for each Condominium Unit:

Step 1: Determine the Square Footage of each Condominium Unit for which the Condominium Plan was recorded by reference to the Condominium Plan or as otherwise provided by the land surveyor who stamped the Condominium Plan.

Step 2: Calculate the amount that could be collected from the original Parcel on which the Condominium Plan was recorded if the Target Special Tax was applied to each Condominium Unit.

Step 3: Compare the amount calculated in Step 2 to the Maximum Special Tax assigned to the original Parcel on which the Condominium Plan was recorded (or such other amount that applies to the Condominium Plan if Section C.2.f is applicable to the Parcel). Based on this comparison:

3a: If the amount from Step 2 is equal to or greater than the current Maximum Special Tax assigned to the original Parcel on which the Condominium Plan was recorded, the Target Special Tax shall be the new Maximum Special Tax for each Condominium Unit within the Condominium Plan.

3b: If the amount from Step 2 is less than the existing Maximum Special Tax for the original Parcel on which the Condominium Plan was recorded, the new Maximum Special Tax for each Condominium Unit shall be the Target Special Tax for each Condominium Unit increased Proportionately until the amount that can be collected from all the Condominium Units is equal to the existing Maximum Special Tax for the original Parcel on which the Condominium Plan was recorded.

If, in any future Fiscal Year, an amended Condominium Plan is recorded, the Administrator shall once again apply the steps set forth above to recalculate the Maximum Special Tax for each Condominium Unit based on the Square Footage of each unit as set forth in the amended Condominium Plan.

iii(b). Issuance of a Building Permit

If a Building Permit is issued for construction of a structure that includes Condominium Units and a Condominium Plan has not been recorded, the Maximum Special Tax for the Parcel shall not be recalculated pursuant to the steps in Subsection iii(a) above unless and until a Condominium Plan records.

iv. **Apartment Building**

When a Building Permit is issued for an Apartment Building, the Maximum Special Tax for the Parcel shall not be recalculated and will be the Maximum Special Tax previously assigned to the Parcel on which the Building Permit was issued.

c. <u>Subdivision or Reconfiguration of Non-Residential Property</u>

When all or any portion of a Future Development Parcel is subdivided or reconfigured, and all of the newly-created Parcels of Taxable Property are determined to be Non- Residential Property, the Administrator shall apply the following steps to determine the Maximum Special Tax for each newly-created Parcel.

For purposes of this Section C.2.c and Section C.2.d, the following Base Non-Residential Special Taxes will be used:

TABLE 3
BASE NON-RESIDENTIAL SPECIAL TAX

Fiscal Year	***Base Non-Residential Special Tax***
2011-12	\$0.243 per Square Foot
2012-13	\$0.248 per Square Foot
2013-14	\$0.253 per Square Foot
2014-15	\$0.373 per Square Foot
2015-16 and Each Fiscal Year Thereafter	Increased by two percent (2%) of the Base Non-Residential Special Tax in effect in the prior Fiscal Year.

Step 1: For each Parcel of Non-Residential Property, determine the estimated Square Footage that is expected to be developed. In making this determination, the Administrator will coordinate with the NCSD and property owner(s), will review Anticipated Development Plans, and will reference any other source of information the Administrator determines to be useful to estimate the Square Footage on each Parcel. The Administrator shall make the final determination regarding the anticipated non-residential Square Footage for each Parcel.

Step 2: Multiply the applicable Base Non-Residential Special Tax from Table 3 by the expected Square Footage on each newly-created Parcel.

Step 3: Sum the amount determined in Step 2 for all Parcels created by the subdivision or reconfiguration.

Step 4: Compare the amount calculated in Step 3 to the Maximum Special Tax that applied to the Parcel that was subdivided or reconfigured. Based on this comparison:

4a: If the amount from Step 3 is equal to or greater than the original Maximum Special Tax for the Parcel that was subdivided or reconfigured, the new Maximum Special Tax for each newly- created Parcel will be the amount determined in Step 2.

4b: If the amount from Step 3 is less than the original Maximum Special Tax for the Parcel that was subdivided or reconfigured, the new Maximum Special Tax for each newly-created Parcel will be determined by increasing the amount calculated for each Parcel in Step 2 Proportionately until the sum of the amount that can be collected from all the newly-created Parcels is equal to the original Maximum Special Tax for the Parcel that was subdivided or reconfigured.

d. Issuance of a Certificate of Occupancy on Parcels of Non-Residential Property

When a certificate of occupancy is issued for a non-residential structure on a Parcel, the Maximum Special Tax for the Parcel shall be the greater of (i) the existing Maximum Special Tax assigned to the Parcel or (ii) the amount determined by multiplying the Square Footage reflected on the certificate of occupancy (or if the Square Footage is not reflected on the certificate of occupancy, the Administrator shall use any permit, plan, or other such document that reflects the Square Footage) by the Base Non-Residential Special Tax per Square Foot identified in Table 3. The Maximum Special Tax for the Parcel shall not be decreased in any future Fiscal Year, but such amount may be increased if additional Square Footage is added on the Parcel.

e. Subdivision or Reconfiguration of Parcels that Include Residential Property and Non-Residential Property

When all or any portion of a Future Development Parcel is subdivided or reconfigured, and the newly-created Parcels of Taxable Property include both Residential Property and Non-Residential Property, the Administrator shall apply the following steps to determine the Maximum Special Tax for each newly-created Parcel:

Step 1: Determine the number of Residential Units and non-residential Square Footage (or both) on each Parcel. In making this determination, the Administrator will coordinate with the NCSD and property owner(s), will review Anticipated Development Plans, and will reference any other source of information the Administrator determines to be useful to estimate the number of Residential Units and/or non-residential Square Footage expected to be developed on each Parcel. The Administrator shall make the final determination regarding the type and number of Residential Unit(s) and non-residential Square Footage entitled to be developed on each Parcel.

Step 2: Multiply the applicable Base Special Tax from Table 1 by the number of expected Residential Units and multiply the Base Non-Residential Special Tax from Table 3 by each expected non-residential Square Foot.

Step 3: Sum the amount determined in Step 2 for all Parcels created by the subdivision or reconfiguration.

Step 4: Compare the amount calculated in Step 3 to the Maximum Special Tax that applied to the original Parcel that was subdivided or reconfigured. Based on this comparison:

4a: If the amount from Step 3 is equal to or greater than the Maximum Special Tax that applied to the Parcel that was subdivided or reconfigured, the new Maximum Special Tax shall be the Base Special Tax for each Residential Unit and the Base Non- Residential Special Tax for each non-residential Square Foot.

4b: If the amount from Step 3 is less than the Maximum Special Tax that applied to the Parcel that was subdivided or reconfigured, the Administrator shall determine whether the change in residential or non-residential land uses caused the reduction. If residential land uses caused the reduction, the Maximum Special Tax for all the residential land uses shall be the Base Special Tax for each Residential Unit increased Proportionately until the amount that can be collected from all land uses on the newly-created Parcels is equal to the Maximum Special Tax that applied to the Parcel that was subdivided or reconfigured. If non-residential land uses caused the reduction, the Maximum Special Tax for all the non- residential Square Footage shall be the Base Non-Residential Special Tax for each Square Foot increased Proportionately until the amount that can be collected from all land uses on the newly- created Parcels is equal to the Maximum Special Tax that applied to the Parcel that was subdivided or reconfigured.

If an individual Parcel is expected to include both Residential Units and non-residential Square Footage, the Maximum Special Tax shall be the sum of the individual amounts determined for each land use in accordance with the steps above.

f. Issuance of a Building Permit for a Structure that Includes Residential Property and Non-Residential Property

If an Assessor's Parcel includes both Non-Residential Property and Residential Units, a Maximum Special Tax shall be assigned to such Parcel that is equal to the sum of the Maximum Special Tax assigned separately to the Residential Units and non-residential Square Footage on the Parcel. If a Building Permit is issued for a structure that is expected to include both Residential Property and non-residential Square Footage, and separate Assessor's Parcel numbers have been assigned to the Parcels of Residential Property, those Parcels of Residential Property shall be taxed as Developed Property in Step 1 of Section D below, and the Parcels of Non-Residential Property shall continue to be taxed as Undeveloped Property until such time as a certificate of occupancy is issued for the non-residential Square Footage.

g. Future Changes in Square Footage or Parcel Configurations

If, in any future Fiscal Year, either (i) a subsequent building permit is issued which adds Square Footage to a Residential Unit, or (ii) a Building Permit is issued for a separate residential dwelling unit on the same Parcel as an existing Residential Unit, the additional Square Footage shall be combined with the Square Footage from the prior Building Permit for purposes of calculating the Maximum Special Tax for the Parcel. The Administrator will identify the corresponding Target Special Tax based on the increased Square Footage, and if the new Target Special Tax is less than the existing Maximum Special Tax for the Parcel, the existing Maximum Special Tax will continue to apply to the Parcel. If the new Target Special Tax is greater than the existing Maximum Special Tax for the Parcel, the Target Special Tax will be the new Maximum Special Tax for the Parcel.

If two or more Parcels are combined into one Parcel, the Maximum Special Tax of the new Parcel cannot be less than the sum of the Maximum Special Tax for the Parcels that were combined. For example, if a Parcel with a Single Family Detached Unit is combined with a Parcel of Undeveloped Property, the Maximum Special Tax for the newly-created Parcel will be the sum of (i) the Maximum Special Tax of the Parcel with a Single Family Detached Unit and (ii) the Maximum Special Tax of the Parcel of Undeveloped Property.

If a Parcel of Developed Property is split into multiple Parcels, the new Parcel on which the structure is located will continue to have the same Maximum Special Tax. The other newly-created Parcel(s) will be assigned a Maximum Special Tax based on the development potential of the Parcel by applying the Base Special Tax rates in Table 1 for Residential Property and/or the Base Non-Residential Special Tax rates in Table 3 for Non-Residential Property. The Administrator shall make the final determination of the assignment of the Maximum Special Tax.

h. Expiration of Building Permits

If a Building Permit that was issued for a Single Family Unit or Townhome Unit expires prior to commencement or completion of construction on the Parcel, the Parcel shall continue to be taxed as Developed Property in future Fiscal Years subject to the Maximum Special Tax that was calculated for the Parcel when the initial Building Permit was issued. Notwithstanding the foregoing, if a subsequent Building Permit is issued for construction on the Parcel, the Maximum Special Tax for the Parcel shall be the greater of the Maximum Special Tax based on the initial Building Permit and the Maximum Special Tax based on any subsequent Building Permit that is issued.

i. Transfer of the Maximum Special Tax Between Parcels of Undeveloped Property

If the number or type of planned Residential Units or non-residential Square Footage is transferred between Parcels of Undeveloped Property within the CFD, the NCSD may, in its sole discretion, allow for a transfer of all or a portion of the Maximum Special Tax from one Parcel to another. Such a transfer shall only be allowed if (i) all adjustments are agreed to in writing by the affected property owners and the NCSD, and (ii) after the transfer, the total Maximum Special Tax that can be collected from the Parcels involved in the transfer is at least equal to the amount that could have been collected from the Parcels prior to the transfer.

j. Transfer of Taxable Property to a Homeowners or Property Owners Association

If a Parcel of Taxable Property with an assigned Maximum Special Tax is transferred to a homeowners association or property owners association and the Special Tax obligation for the Parcel is not prepaid prior to the transfer, the Parcel shall thereafter be classified as Undeveloped Property and shall be subject to taxation pursuant to Step 3 in Section D.

k. Property With No Assigned Maximum Special Tax Becomes Developed Property

If the Administrator determines that a Building Permit has been issued prior to June 1 of the preceding Fiscal Year for one or more Residential Units on a Parcel that had not previously been assigned a Maximum Special Tax, the Administrator shall use the applicable Target Special Tax rates identified in Table 2 above based on the Square Footage of the Residential Unit(s) to determine the Maximum Special Tax for the Parcel. Additionally, if the Administrator determines that a certificate of occupancy has been issued prior to June 1 of the preceding Fiscal Year for non-residential Square Footage on a Parcel that had not previously been assigned a Maximum Special Tax, the Administrator shall multiply the Base Non-Residential Special Tax rate identified in Table 3 above by the non-residential Square Footage reflected on the certificate of occupancy (or if the Square Footage is not reflected on the certificate of occupancy, the Administrator shall use any permit, plan, or other such document that reflects the Square Footage) to determine the Maximum Special Tax for the Parcel.

The subsections set forth in this Section C.2 are intended to capture all circumstances that may occur relative to development of Parcels in CFD No. 1. Ultimately, regardless of the combination of land uses or development status on a Parcel, the Maximum Special Tax assigned in Attachment 2 to the initial Future Development Parcels, or subsequently assigned to a Future Development Parcel after subdivision, reconfiguration, or development has taken place, may not be decreased. The Administrator shall make the final determination as to the *allocation of Maximum Special Taxes among Parcels created by subdivision and development of the Assessor's Parcels identified in Attachment 2.*

3. *Backup Special Tax*

If, in any Fiscal Year, it is determined that additional revenue is needed in order to meet the Special Tax Requirement pursuant to Step 4 in Section D, the Backup Special Tax shall be levied on all Parcels of Undeveloped Property. The Backup Special Tax shall be $576,595.16 per Acre for Undeveloped Property in Fiscal Year 2011-12. On July 1, 2012 and on each July 1 thereafter, the Backup Special Tax shall be increased by two percent (2%) of the Backup Special Tax in effect in the prior Fiscal Year.

D. METHOD OF LEVY OF THE SPECIAL TAX

Each Fiscal Year, the Special Tax shall be levied according to the steps outlined below:

Step 1: In any Fiscal Year from Fiscal Year 2011-12 through Fiscal Year 2024-25 in which the full Purchase Price has not yet been paid, the Special Tax shall be levied on each Parcel of Developed Property that is Residential Property at 100% of the Maximum Special Tax for each Parcel for such Fiscal Year. Subject to the provisions of the paragraph following Step 4, beginning the earlier of (i) the Fiscal Year after the Fiscal Year in which the entire Purchase Price has been paid, or (ii) Fiscal Year 2025-26, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property that is Residential Property up to 100% of the Maximum Special Tax for Residential Property for such Fiscal Year until the amount levied equals the Special Tax Requirement for the Fiscal Year.

Step 2: If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property that is Non-Residential Property up to 100% of the Maximum Special Tax for Non-Residential Property for such Fiscal Year until the amount levied equals the Special Tax Requirement for the Fiscal Year.

Step 3: If additional revenue is needed in order to meet the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for such Fiscal Year until the amount levied equals the Special Tax Requirement for the Fiscal Year.

Step 4: If additional revenue is needed after Step 3 in order to meet the Special Tax Requirement, the Backup Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Backup Special Tax for such Fiscal Year until the amount levied equals the Special Tax Requirement for the Fiscal Year.

Step 5: If additional revenue is needed after Step 4 in order to meet the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property, exclusive of property exempt from the Special Tax pursuant to Section F below, up to 100% of the Maximum Special Tax that was previously levied on the Parcel for such Fiscal Year until the amount levied equals the Special Tax Requirement for the Fiscal Year.

Pursuant to Section 53321 (d) of the Act, the Special Tax levied against a Parcel used for private residential purposes shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

E. COLLECTION OF SPECIAL TAX

The Special Taxes for CFD No. 1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section G below and provided further that the NCSD may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods. If Special Taxes are not paid by the date specified by the NCSD, the Special Taxes will be subject to the same penalties and interest as if they had been levied on the County's property tax roll. If, in any Fiscal Year, a Special Tax is to be levied on Fractional Units within the CFD, such Special Tax may be billed either directly to individual fractional share owners or to a homeowners association, which shall then bill the individual fractional share owners; non-payment of Special Taxes billed by the homeowners association shall result in interest and penalties, and the fractional ownership shall be subject to foreclosure proceedings as set forth in the Bond covenants.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid, NCSD's costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been reimbursed. However, in no event shall a Special Tax be levied after Fiscal Year 2045-46.

F. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on: (i) Public Property except Taxable Public Property, (ii) Parcels that have prepaid the Special Tax obligation and had a Release of Special Tax Lien recorded against the property, (iii) Parcels that are owned by a public utility for an unmanned facility, (iv) Parcels that are subject to an easement that precludes any other use on the Parcels, and (v) Parcels of Ski Property.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

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

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

Bond Redemption Amount	
plus	Redemption Premium
plus	Defeasance Requirement
plus	Administrative Fees and Expenses
<u>less</u>	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

Step 1. Compute the total Maximum Special Tax that could be collected from the Assessor's Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the NCSD.

Step 2. Divide the Maximum Special Tax computed pursuant to Step 1 by the lesser of: (i) $7,286,200 in Fiscal Year 2011-12, or for each future Fiscal Year, this amount increased by 2%; or (ii) the Maximum Special Tax that could be collected from the entire CFD in the Fiscal Year in which the prepayment would be received by the NCSD.

Step 3. Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the ***"Bond Redemption Amount"***).

Step 4. Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the ***"Redemption Premium"***).

Step 5. Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment has been received until the earliest redemption date for the Outstanding Bonds, which, depending on the Bond offering document, may be as early as the next interest payment date.

Step 6: Compute the amount of interest the NCSD reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.

Step 7: Take the amount computed pursuant to Step 5 and subtract the amount computed pursuant to Step 6 (the ***"Defeasance Requirement"***).

Step 8. Determine the costs of computing the prepayment amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the ***"Administrative Fees and Expenses"***).

Step 9. If and to the extent so provided in the indenture pursuant to which the Outstanding Bonds to be redeemed were issued, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the ***"Reserve Fund Credit"***).

Step 10. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 4, 7, and 8, less the amount computed pursuant to Step 9 (the ***"Prepayment Amount"***).

Step 11. From the Prepayment Amount, the amounts computed pursuant to Steps 3, 4, and 7 shall be deposited into the appropriate fund as established under the indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to Step 8 shall be retained in the account or fund that is established to pay administrative expenses of CFD No. 1.

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, provided however that the partial prepayment must be in an amount sufficient to pay off Bonds in $5,000 increments. The Maximum Special Tax that can be levied on an Assessor's Parcel after a partial prepayment is made is equal to the Maximum Special Tax that could have been levied prior to the prepayment, reduced by the percentage of a full prepayment that the partial prepayment represents, all as determined by or at the direction of the Administrator.

H. INTERPRETATION OF SPECIAL TAX FORMULA

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

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Residential Property

Assessor's Parcel Number	***Type of Residential Property***	***Number of Units***	***FY 2011-12 Maximum Special Tax [(1)]***
103-020-024-000	Condominium Unit	1	$3,913.42
103-020-025-000	Condominium Unit	1	$4,054.18
103-020-026-000	Condominium Unit	1	$3,772.64
103-020-027-000	Condominium Unit	1	$3,772.64
103-020-028-510	Fractional Unit	1/8 Fractional Share	$506.78
103-020-028-520	Fractional Unit	1/8 Fractional Share	$506.78
103-020-028-530	Fractional Unit	1/8 Fractional Share	$506.78
103-020-028-540	Fractional Unit	1/8 Fractional Share	$506.78
103-020-028-550	Fractional Unit	1/8 Fractional Share	$506.78
103-020-028-560	Fractional Unit	1/8 Fractional Share	$506.78
103-020-028-570	Fractional Unit	1/8 Fractional Share	$506.78
103-020-028-580	Fractional Unit	1/8 Fractional Share	$506.78
103-020-029-510	Fractional Unit	1/8 Fractional Share	$489.18
103-020-029-520	Fractional Unit	1/8 Fractional Share	$489.18
103-020-029-530	Fractional Unit	1/8 Fractional Share	$489.18
103-020-029-540	Fractional Unit	1/8 Fractional Share	$489.18
103-020-029-550	Fractional Unit	1/8 Fractional Share	$489.18
103-020-029-560	Fractional Unit	1/8 Fractional Share	$489.18
103-020-029-570	Fractional Unit	1/8 Fractional Share	$489.18
103-020-029-580	Fractional Unit	1/8 Fractional Share	$489.18
103-030-001-000	Condominium Unit	1	$3,913.42
103-030-002-000	Condominium Unit	1	$3,772.64
103-030-003-000	Condominium Unit	1	$3,631.88
103-030-004-000	Condominium Unit	1	$3,772.64
103-030-005-000	Condominium Unit	1	$3,631.88
103-030-006-000	Condominium Unit	1	$3,772.64
103-030-007-000	Condominium Unit	1	$3,913.42
103-030-016-000	Condominium Unit	1	$3,913.42
103-030-017-000	Condominium Unit	1	$3,772.64
103-030-018-000	Condominium Unit	1	$3,631.88
103-030-019-000	Condominium Unit	1	$3,772.64
103-030-020-000	Condominium Unit	1	$3,631.88
103-030-021-000	Condominium Unit	1	$3,772.64
103-030-022-000	Condominium Unit	1	$3,913.42
103-040-001-000	Condominium Unit	1	$3,913.42
103-040-002-000	Condominium Unit	1	$3,772.64
103-040-003-000	Condominium Unit	1	$3,631.88
103-040-004-000	Condominium Unit	1	$3,772.64
103-040-005-000	Condominium Unit	1	$3,631.88
103-040-006-000	Condominium Unit	1	$3,772.64
103-040-007-000	Condominium Unit	1	$3,913.42
103-040-016-000	Condominium Unit	1	$4,054.18
103-050-019-000	Condominium Unit	1	$3,491.10

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Residential Property

Assessor's Parcel Number	***Type of Residential Property***	***Number of Units***	***FY 2011-12 Maximum Special Tax [(1)]***
103-050-020-000	Condominium Unit	1	$3,491.10
103-050-021-000	Condominium Unit	1	$3,350.34
103-050-022-000	Condominium Unit	1	$3,350.34
103-050-023-000	Condominium Unit	1	$3,209.56
103-060-001-000	Condominium Unit	1	$3,491.10
103-060-002-000	Condominium Unit	1	$3,491.10
103-060-003-000	Condominium Unit	1	$3,491.10
103-060-004-000	Condominium Unit	1	$3,491.10
103-060-005-000	Condominium Unit	1	$3,350.34
103-060-006-000	Condominium Unit	1	$3,350.34
103-060-007-000	Condominium Unit	1	$3,350.34
103-060-008-000	Condominium Unit	1	$3,350.34
103-060-009-000	Condominium Unit	1	$3,209.56
103-060-010-000	Condominium Unit	1	$3,209.56
103-060-011-000	Condominium Unit	1	$3,491.10
103-060-014-000	Condominium Unit	1	$3,491.10
103-060-015-000	Condominium Unit	1	$3,491.10
103-060-016-000	Condominium Unit	1	$3,491.10
103-060-017-000	Condominium Unit	1	$3,491.10
103-060-018-000	Condominium Unit	1	$3,350.34
103-060-019-000	Condominium Unit	1	$3,350.34
103-060-020-000	Condominium Unit	1	$3,350.34
103-060-021-000	Condominium Unit	1	$3,350.34
103-060-022-000	Condominium Unit	1	$3,209.56
103-060-023-000	Condominium Unit	1	$3,209.56
103-070-002-000	Condominium Unit	1	$3,350.34
103-070-003-000	Condominium Unit	1	$3,350.34
103-070-004-000	Condominium Unit	1	$3,350.34
103-070-005-000	Condominium Unit	1	$3,491.10
103-080-001-000	Condominium Unit	1	$3,491.10
103-080-002-000	Condominium Unit	1	$3,350.34
103-080-003-000	Condominium Unit	1	$3,209.56
103-080-004-000	Condominium Unit	1	$3,350.34
103-080-005-000	Condominium Unit	1	$3,209.56
103-080-006-000	Condominium Unit	1	$3,350.34
103-080-007-000	Condominium Unit	1	$3,491.10
103-080-008-000	Condominium Unit	1	$3,491.10
103-080-009-000	Condominium Unit	1	$3,350.34
103-080-012-000	Condominium Unit	1	$3,491.10
103-080-013-000	Condominium Unit	1	$3,350.34
103-080-014-000	Condominium Unit	1	$3,209.56
103-080-015-000	Condominium Unit	1	$3,350.34
103-080-016-000	Condominium Unit	1	$3,209.56
103-080-017-000	Condominium Unit	1	$3,350.34

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Residential Property

Assessor's Parcel Number	***Type of Residential Property***	***Number of Units***	***FY 2011-12 Maximum Special Tax (1)***
103-080-018-000	Condominium Unit	1	$3,491.10
103-080-019-000	Condominium Unit	1	$3,491.10
103-080-020-000	Condominium Unit	1	$3,350.34
103-080-021-000	Condominium Unit	1	$3,631.88
103-080-022-000	Condominium Unit	1	$3,631.88
103-090-001-000	Condominium Unit	1	$3,491.10
103-090-002-000	Condominium Unit	1	$3,350.34
103-090-003-000	Condominium Unit	1	$3,209.56
103-090-004-000	Condominium Unit	1	$3,350.34
103-090-005-000	Condominium Unit	1	$3,209.56
103-090-006-000	Condominium Unit	1	$3,350.34
103-090-007-000	Condominium Unit	1	$3,491.10
103-090-008-000	Condominium Unit	1	$3,491.10
103-090-009-000	Condominium Unit	1	$3,350.34
103-090-010-000	Condominium Unit	1	$3,631.88
103-090-011-000	Condominium Unit	1	$3,631.88
103-090-013-000	Condominium Unit	1	$3,491.10
103-090-014-000	Condominium Unit	1	$3,350.34
103-090-015-000	Condominium Unit	1	$3,209.56
103-090-016-000	Condominium Unit	1	$3,350.34
103-090-017-000	Condominium Unit	1	$3,209.56
103-090-018-000	Condominium Unit	1	$3,350.34
103-090-019-000	Condominium Unit	1	$3,491.10
103-090-020-000	Condominium Unit	1	$3,491.10
103-090-021-000	Condominium Unit	1	$3,350.34
103-090-022-000	Condominium Unit	1	$3,631.88
103-090-023-000	Condominium Unit	1	$3,631.88
103-110-014-000	Condominium Unit	1	$3,350.34
103-110-015-000	Condominium Unit	1	$3,491.10
103-110-016-000	Condominium Unit	1	$3,350.34
103-110-017-000	Condominium Unit	1	$3,491.10
103-110-018-000	Condominium Unit	1	$3,209.56
103-110-019-000	Condominium Unit	1	$3,491.10
103-110-020-000	Condominium Unit	1	$3,209.56
103-110-021-000	Condominium Unit	1	$3,350.34
103-110-022-000	Condominium Unit	1	$3,209.56
103-110-023-000	Condominium Unit	1	$3,350.34
103-110-024-000	Condominium Unit	1	$3,350.34
103-110-025-000	Condominium Unit	1	$3,491.10
103-110-026-000	Condominium Unit	1	$3,491.10
103-120-001-000	Condominium Unit	1	$3,350.34
103-120-002-000	Condominium Unit	1	$3,491.10
103-120-003-000	Condominium Unit	1	$3,350.34
103-120-004-000	Condominium Unit	1	$3,491.10

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Residential Property

Assessor's Parcel Number	***Type of Residential Property***	***Number of Units***	***FY 2011-12 Maximum Special Tax (1)***
103-120-005-000	Condominium Unit	1	$3,209.56
103-120-006-000	Condominium Unit	1	$3,491.10
103-120-007-000	Condominium Unit	1	$3,350.34
103-120-008-000	Condominium Unit	1	$3,350.34
103-120-009-000	Condominium Unit	1	$3,209.56
103-120-010-000	Condominium Unit	1	$3,350.34
103-120-011-000	Condominium Unit	1	$3,350.34
103-120-012-000	Condominium Unit	1	$3,491.10
103-120-013-000	Condominium Unit	1	$3,491.10
103-120-015-000	Condominium Unit	1	$3,350.34
103-120-016-000	Condominium Unit	1	$3,491.10
103-120-017-000	Condominium Unit	1	$3,350.34
103-120-018-000	Condominium Unit	1	$3,491.10
103-120-019-000	Condominium Unit	1	$3,209.56
103-120-020-000	Condominium Unit	1	$3,491.10
103-120-021-000	Condominium Unit	1	$3,350.34
103-120-022-000	Condominium Unit	1	$3,350.34
103-120-023-000	Condominium Unit	1	$3,209.56
103-120-024-000	Condominium Unit	1	$3,350.34
103-120-025-000	Condominium Unit	1	$3,350.34
103-120-026-000	Condominium Unit	1	$3,491.10
103-120-027-000	Condominium Unit	1	$3,491.10
103-130-001-000	Condominium Unit	1	$3,350.34
103-130-002-000	Condominium Unit	1	$3,350.34
103-130-003-000	Condominium Unit	1	$3,350.34
103-130-004-000	Condominium Unit	1	$3,491.10
103-130-005-000	Condominium Unit	1	$3,209.56
103-130-006-000	Condominium Unit	1	$3,491.10
103-130-007-000	Condominium Unit	1	$3,350.34
103-130-008-000	Condominium Unit	1	$3,350.34
103-130-009-000	Condominium Unit	1	$3,209.56
103-130-010-000	Condominium Unit	1	$3,350.34
103-130-011-000	Condominium Unit	1	$3,350.34
103-130-012-000	Condominium Unit	1	$3,491.10
103-130-013-000	Condominium Unit	1	$3,491.10
103-150-001-000	Condominium Unit	1	$3,350.34
103-150-002-000	Condominium Unit	1	$3,350.34
103-150-003-000	Condominium Unit	1	$3,209.56
103-150-014-000	Condominium Unit	1	$3,350.34
103-150-015-000	Condominium Unit	1	$3,631.88
103-150-016-000	Condominium Unit	1	$3,350.34
103-150-017-000	Condominium Unit	1	$3,350.34
103-150-018-000	Condominium Unit	1	$3,350.34
103-150-019-000	Condominium Unit	1	$3,350.34

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Residential Property

Assessor's Parcel Number	***Type of Residential Property***	***Number of Units***	***FY 2011-12 Maximum Special Tax (1)***
103-150-020-000	Condominium Unit	1	$3,209.56
103-150-021-000	Condominium Unit	1	$3,350.34
103-150-022-000	Condominium Unit	1	$3,209.56
103-150-023-000	Condominium Unit	1	$3,209.56
103-150-024-000	Condominium Unit	1	$3,209.56
103-150-025-000	Condominium Unit	1	$3,209.56
103-150-026-510	Fractional Unit	1/8 Fractional Share	$436.38
103-150-026-520	Fractional Unit	1/8 Fractional Share	$436.38
103-150-026-530	Fractional Unit	1/8 Fractional Share	$436.38
103-150-026-540	Fractional Unit	1/8 Fractional Share	$436.38
103-150-026-550	Fractional Unit	1/8 Fractional Share	$436.38
103-150-026-560	Fractional Unit	1/8 Fractional Share	$436.38
103-150-026-570	Fractional Unit	1/8 Fractional Share	$436.38
103-150-026-580	Fractional Unit	1/8 Fractional Share	$436.38
103-160-001-000	Condominium Unit	1	$3,350.34
103-160-002-000	Condominium Unit	1	$3,350.34
103-160-003-000	Condominium Unit	1	$3,350.34
103-160-004-000	Condominium Unit	1	$3,350.34
103-160-005-000	Condominium Unit	1	$3,350.34
103-160-006-000	Condominium Unit	1	$3,209.56
103-160-007-000	Condominium Unit	1	$3,350.34
103-160-008-000	Condominium Unit	1	$3,209.56
103-160-009-000	Condominium Unit	1	$3,209.56
103-160-010-000	Condominium Unit	1	$3,209.56
103-160-011-000	Condominium Unit	1	$3,209.56
103-160-012-510	Fractional Unit	1/8 Fractional Share	$436.38
103-160-012-520	Fractional Unit	1/8 Fractional Share	$436.38
103-160-012-530	Fractional Unit	1/8 Fractional Share	$436.38
103-160-012-540	Fractional Unit	1/8 Fractional Share	$436.38
103-160-012-550	Fractional Unit	1/8 Fractional Share	$436.38
103-160-012-560	Fractional Unit	1/8 Fractional Share	$436.38
103-160-012-570	Fractional Unit	1/8 Fractional Share	$436.38
103-160-012-580	Fractional Unit	1/8 Fractional Share	$436.38
103-160-014-000	Condominium Unit	1	$3,350.34
103-160-015-000	Condominium Unit	1	$3,350.34
103-160-016-000	Condominium Unit	1	$3,350.34
103-160-017-000	Condominium Unit	1	$3,350.34
103-160-018-000	Condominium Unit	1	$3,350.34
103-160-019-000	Condominium Unit	1	$3,209.56
103-160-020-000	Condominium Unit	1	$3,350.34
103-160-021-000	Condominium Unit	1	$3,209.56
103-160-022-000	Condominium Unit	1	$3,209.56
103-160-023-000	Condominium Unit	1	$3,209.56
103-160-024-000	Condominium Unit	1	$3,350.34

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Residential Property

Assessor's Parcel Number	*Type of Residential Property*	*Number of Units*	*FY 2011-12 Maximum Special Tax [(1)]*
103-160-025-000	Condominium Unit	1	$3,631.88
103-190-001-510	Fractional Unit	1/12 Fractional Share	$302.66
103-190-001-520	Fractional Unit	1/12 Fractional Share	$302.66
103-190-001-530	Fractional Unit	1/12 Fractional Share	$302.66
103-190-001-540	Fractional Unit	1/12 Fractional Share	$302.66
103-190-001-550	Fractional Unit	1/12 Fractional Share	$302.66
103-190-001-560	Fractional Unit	1/12 Fractional Share	$302.66
103-190-001-570	Fractional Unit	1/12 Fractional Share	$302.66
103-190-001-580	Fractional Unit	1/12 Fractional Share	$302.66
103-190-001-590	Fractional Unit	1/12 Fractional Share	$302.66
103-190-001-600	Fractional Unit	1/12 Fractional Share	$302.66
103-190-001-610	Fractional Unit	1/12 Fractional Share	$302.66
103-190-001-620	Fractional Unit	1/12 Fractional Share	$302.66
103-190-002-510	Fractional Unit	1/12 Fractional Share	$302.66
103-190-002-520	Fractional Unit	1/12 Fractional Share	$302.66
103-190-002-530	Fractional Unit	1/12 Fractional Share	$302.66
103-190-002-540	Fractional Unit	1/12 Fractional Share	$302.66
103-190-002-550	Fractional Unit	1/12 Fractional Share	$302.66
103-190-002-560	Fractional Unit	1/12 Fractional Share	$302.66
103-190-002-570	Fractional Unit	1/12 Fractional Share	$302.66
103-190-002-580	Fractional Unit	1/12 Fractional Share	$302.66
103-190-002-590	Fractional Unit	1/12 Fractional Share	$302.66
103-190-002-600	Fractional Unit	1/12 Fractional Share	$302.66
103-190-002-610	Fractional Unit	1/12 Fractional Share	$302.66
103-190-002-620	Fractional Unit	1/12 Fractional Share	$302.66
103-190-003-510	Fractional Unit	1/12 Fractional Share	$290.92
103-190-003-520	Fractional Unit	1/12 Fractional Share	$290.92
103-190-003-530	Fractional Unit	1/12 Fractional Share	$290.92
103-190-003-540	Fractional Unit	1/12 Fractional Share	$290.92
103-190-003-550	Fractional Unit	1/12 Fractional Share	$290.92
103-190-003-560	Fractional Unit	1/12 Fractional Share	$290.92
103-190-003-570	Fractional Unit	1/12 Fractional Share	$290.92
103-190-003-580	Fractional Unit	1/12 Fractional Share	$290.92
103-190-003-590	Fractional Unit	1/12 Fractional Share	$290.92
103-190-003-600	Fractional Unit	1/12 Fractional Share	$290.92
103-190-003-610	Fractional Unit	1/12 Fractional Share	$290.92
103-190-003-620	Fractional Unit	1/12 Fractional Share	$290.92
103-190-004-510	Fractional Unit	1/12 Fractional Share	$279.18
103-190-004-520	Fractional Unit	1/12 Fractional Share	$279.18
103-190-004-530	Fractional Unit	1/12 Fractional Share	$279.18
103-190-004-540	Fractional Unit	1/12 Fractional Share	$279.18
103-190-004-550	Fractional Unit	1/12 Fractional Share	$279.18
103-190-004-560	Fractional Unit	1/12 Fractional Share	$279.18
103-190-004-570	Fractional Unit	1/12 Fractional Share	$279.18

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Residential Property

Assessor's Parcel Number	***Type of Residential Property***	***Number of Units***	***FY 2011-12 Maximum Special Tax (1)***
103-190-004-580	Fractional Unit	1/12 Fractional Share	$279.18
103-190-004-590	Fractional Unit	1/12 Fractional Share	$279.18
103-190-004-600	Fractional Unit	1/12 Fractional Share	$279.18
103-190-004-610	Fractional Unit	1/12 Fractional Share	$279.18
103-190-004-620	Fractional Unit	1/12 Fractional Share	$279.18
103-190-005-510	Fractional Unit	1/12 Fractional Share	$290.92
103-190-005-520	Fractional Unit	1/12 Fractional Share	$290.92
103-190-005-530	Fractional Unit	1/12 Fractional Share	$290.92
103-190-005-540	Fractional Unit	1/12 Fractional Share	$290.92
103-190-005-550	Fractional Unit	1/12 Fractional Share	$290.92
103-190-005-560	Fractional Unit	1/12 Fractional Share	$290.92
103-190-005-570	Fractional Unit	1/12 Fractional Share	$290.92
103-190-005-580	Fractional Unit	1/12 Fractional Share	$290.92
103-190-005-590	Fractional Unit	1/12 Fractional Share	$290.92
103-190-005-600	Fractional Unit	1/12 Fractional Share	$290.92
103-190-005-610	Fractional Unit	1/12 Fractional Share	$290.92
103-190-005-620	Fractional Unit	1/12 Fractional Share	$290.92
103-190-006-510	Fractional Unit	1/12 Fractional Share	$290.92
103-190-006-520	Fractional Unit	1/12 Fractional Share	$290.92
103-190-006-530	Fractional Unit	1/12 Fractional Share	$290.92
103-190-006-540	Fractional Unit	1/12 Fractional Share	$290.92
103-190-006-550	Fractional Unit	1/12 Fractional Share	$290.92
103-190-006-560	Fractional Unit	1/12 Fractional Share	$290.92
103-190-006-570	Fractional Unit	1/12 Fractional Share	$290.92
103-190-006-580	Fractional Unit	1/12 Fractional Share	$290.92
103-190-006-590	Fractional Unit	1/12 Fractional Share	$290.92
103-190-006-600	Fractional Unit	1/12 Fractional Share	$290.92
103-190-006-610	Fractional Unit	1/12 Fractional Share	$290.92
103-190-006-620	Fractional Unit	1/12 Fractional Share	$290.92
103-190-007-510	Fractional Unit	1/12 Fractional Share	$290.92
103-190-007-520	Fractional Unit	1/12 Fractional Share	$290.92
103-190-007-530	Fractional Unit	1/12 Fractional Share	$290.92
103-190-007-540	Fractional Unit	1/12 Fractional Share	$290.92
103-190-007-550	Fractional Unit	1/12 Fractional Share	$290.92
103-190-007-560	Fractional Unit	1/12 Fractional Share	$290.92
103-190-007-570	Fractional Unit	1/12 Fractional Share	$290.92
103-190-007-580	Fractional Unit	1/12 Fractional Share	$290.92
103-190-007-590	Fractional Unit	1/12 Fractional Share	$290.92
103-190-007-600	Fractional Unit	1/12 Fractional Share	$290.92
103-190-007-610	Fractional Unit	1/12 Fractional Share	$290.92
103-190-007-620	Fractional Unit	1/12 Fractional Share	$290.92
103-190-009-510	Fractional Unit	1/12 Fractional Share	$302.66
103-190-009-520	Fractional Unit	1/12 Fractional Share	$302.66
103-190-009-530	Fractional Unit	1/12 Fractional Share	$302.66

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Residential Property

Assessor's Parcel Number	***Type of Residential Property***	***Number of Units***	***FY 2011-12 Maximum Special Tax (1)***
103-190-009-540	Fractional Unit	1/12 Fractional Share	$302.66
103-190-009-550	Fractional Unit	1/12 Fractional Share	$302.66
103-190-009-560	Fractional Unit	1/12 Fractional Share	$302.66
103-190-009-570	Fractional Unit	1/12 Fractional Share	$302.66
103-190-009-580	Fractional Unit	1/12 Fractional Share	$302.66
103-190-009-590	Fractional Unit	1/12 Fractional Share	$302.66
103-190-009-600	Fractional Unit	1/12 Fractional Share	$302.66
103-190-009-610	Fractional Unit	1/12 Fractional Share	$302.66
103-190-009-620	Fractional Unit	1/12 Fractional Share	$302.66
103-190-010-510	Fractional Unit	1/12 Fractional Share	$302.66
103-190-010-520	Fractional Unit	1/12 Fractional Share	$302.66
103-190-010-530	Fractional Unit	1/12 Fractional Share	$302.66
103-190-010-540	Fractional Unit	1/12 Fractional Share	$302.66
103-190-010-550	Fractional Unit	1/12 Fractional Share	$302.66
103-190-010-560	Fractional Unit	1/12 Fractional Share	$302.66
103-190-010-570	Fractional Unit	1/12 Fractional Share	$302.66
103-190-010-580	Fractional Unit	1/12 Fractional Share	$302.66
103-190-010-590	Fractional Unit	1/12 Fractional Share	$302.66
103-190-010-600	Fractional Unit	1/12 Fractional Share	$302.66
103-190-010-610	Fractional Unit	1/12 Fractional Share	$302.66
103-190-010-620	Fractional Unit	1/12 Fractional Share	$302.66
103-190-011-510	Fractional Unit	1/12 Fractional Share	$290.92
103-190-011-520	Fractional Unit	1/12 Fractional Share	$290.92
103-190-011-530	Fractional Unit	1/12 Fractional Share	$290.92
103-190-011-540	Fractional Unit	1/12 Fractional Share	$290.92
103-190-011-550	Fractional Unit	1/12 Fractional Share	$290.92
103-190-011-560	Fractional Unit	1/12 Fractional Share	$290.92
103-190-011-570	Fractional Unit	1/12 Fractional Share	$290.92
103-190-011-580	Fractional Unit	1/12 Fractional Share	$290.92
103-190-011-590	Fractional Unit	1/12 Fractional Share	$290.92
103-190-011-600	Fractional Unit	1/12 Fractional Share	$290.92
103-190-011-610	Fractional Unit	1/12 Fractional Share	$290.92
103-190-011-620	Fractional Unit	1/12 Fractional Share	$290.92
103-190-012-510	Fractional Unit	1/12 Fractional Share	$279.18
103-190-012-520	Fractional Unit	1/12 Fractional Share	$279.18
103-190-012-530	Fractional Unit	1/12 Fractional Share	$279.18
103-190-012-540	Fractional Unit	1/12 Fractional Share	$279.18
103-190-012-550	Fractional Unit	1/12 Fractional Share	$279.18
103-190-012-560	Fractional Unit	1/12 Fractional Share	$279.18
103-190-012-570	Fractional Unit	1/12 Fractional Share	$279.18
103-190-012-580	Fractional Unit	1/12 Fractional Share	$279.18
103-190-012-590	Fractional Unit	1/12 Fractional Share	$279.18
103-190-012-600	Fractional Unit	1/12 Fractional Share	$279.18
103-190-012-610	Fractional Unit	1/12 Fractional Share	$279.18

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Residential Property

Assessor's Parcel Number	*Type of Residential Property*	*Number of Units*	*FY 2011-12 Maximum Special Tax (1)*
103-190-012-620	Fractional Unit	1/12 Fractional Share	$279.18
103-190-013-510	Fractional Unit	1/12 Fractional Share	$290.92
103-190-013-520	Fractional Unit	1/12 Fractional Share	$290.92
103-190-013-530	Fractional Unit	1/12 Fractional Share	$290.92
103-190-013-540	Fractional Unit	1/12 Fractional Share	$290.92
103-190-013-550	Fractional Unit	1/12 Fractional Share	$290.92
103-190-013-560	Fractional Unit	1/12 Fractional Share	$290.92
103-190-013-570	Fractional Unit	1/12 Fractional Share	$290.92
103-190-013-580	Fractional Unit	1/12 Fractional Share	$290.92
103-190-013-590	Fractional Unit	1/12 Fractional Share	$290.92
103-190-013-600	Fractional Unit	1/12 Fractional Share	$290.92
103-190-013-610	Fractional Unit	1/12 Fractional Share	$290.92
103-190-013-620	Fractional Unit	1/12 Fractional Share	$290.92
103-190-014-510	Fractional Unit	1/12 Fractional Share	$290.92
103-190-014-520	Fractional Unit	1/12 Fractional Share	$290.92
103-190-014-530	Fractional Unit	1/12 Fractional Share	$290.92
103-190-014-540	Fractional Unit	1/12 Fractional Share	$290.92
103-190-014-550	Fractional Unit	1/12 Fractional Share	$290.92
103-190-014-560	Fractional Unit	1/12 Fractional Share	$290.92
103-190-014-570	Fractional Unit	1/12 Fractional Share	$290.92
103-190-014-580	Fractional Unit	1/12 Fractional Share	$290.92
103-190-014-590	Fractional Unit	1/12 Fractional Share	$290.92
103-190-014-600	Fractional Unit	1/12 Fractional Share	$290.92
103-190-014-610	Fractional Unit	1/12 Fractional Share	$290.92
103-190-014-620	Fractional Unit	1/12 Fractional Share	$290.92
103-190-015-510	Fractional Unit	1/12 Fractional Share	$290.92
103-190-015-520	Fractional Unit	1/12 Fractional Share	$290.92
103-190-015-530	Fractional Unit	1/12 Fractional Share	$290.92
103-190-015-540	Fractional Unit	1/12 Fractional Share	$290.92
103-190-015-550	Fractional Unit	1/12 Fractional Share	$290.92
103-190-015-560	Fractional Unit	1/12 Fractional Share	$290.92
103-190-015-570	Fractional Unit	1/12 Fractional Share	$290.92
103-190-015-580	Fractional Unit	1/12 Fractional Share	$290.92
103-190-015-590	Fractional Unit	1/12 Fractional Share	$290.92
103-190-015-600	Fractional Unit	1/12 Fractional Share	$290.92
103-190-015-610	Fractional Unit	1/12 Fractional Share	$290.92
103-190-015-620	Fractional Unit	1/12 Fractional Share	$290.92
103-190-017-510	Fractional Unit	1/12 Fractional Share	$302.66
103-190-017-520	Fractional Unit	1/12 Fractional Share	$302.66
103-190-017-530	Fractional Unit	1/12 Fractional Share	$302.66
103-190-017-540	Fractional Unit	1/12 Fractional Share	$302.66
103-190-017-550	Fractional Unit	1/12 Fractional Share	$302.66
103-190-017-560	Fractional Unit	1/12 Fractional Share	$302.66
103-190-017-570	Fractional Unit	1/12 Fractional Share	$302.66

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Residential Property

Assessor's Parcel Number	***Type of Residential Property***	***Number of Units***	***FY 2011-12 Maximum Special Tax (1)***
103-190-017-580	Fractional Unit	1/12 Fractional Share	$302.66
103-190-017-590	Fractional Unit	1/12 Fractional Share	$302.66
103-190-017-600	Fractional Unit	1/12 Fractional Share	$302.66
103-190-017-610	Fractional Unit	1/12 Fractional Share	$302.66
103-190-017-620	Fractional Unit	1/12 Fractional Share	$302.66
103-190-018-510	Fractional Unit	1/12 Fractional Share	$302.66
103-190-018-520	Fractional Unit	1/12 Fractional Share	$302.66
103-190-018-530	Fractional Unit	1/12 Fractional Share	$302.66
103-190-018-540	Fractional Unit	1/12 Fractional Share	$302.66
103-190-018-550	Fractional Unit	1/12 Fractional Share	$302.66
103-190-018-560	Fractional Unit	1/12 Fractional Share	$302.66
103-190-018-570	Fractional Unit	1/12 Fractional Share	$302.66
103-190-018-580	Fractional Unit	1/12 Fractional Share	$302.66
103-190-018-590	Fractional Unit	1/12 Fractional Share	$302.66
103-190-018-600	Fractional Unit	1/12 Fractional Share	$302.66
103-190-018-610	Fractional Unit	1/12 Fractional Share	$302.66
103-190-018-620	Fractional Unit	1/12 Fractional Share	$302.66
103-190-019-000	Condominium Unit	1	$3,491.10
103-190-020-510	Fractional Unit	1/12 Fractional Share	$279.18
103-190-020-520	Fractional Unit	1/12 Fractional Share	$279.18
103-190-020-530	Fractional Unit	1/12 Fractional Share	$279.18
103-190-020-540	Fractional Unit	1/12 Fractional Share	$279.18
103-190-020-550	Fractional Unit	1/12 Fractional Share	$279.18
103-190-020-560	Fractional Unit	1/12 Fractional Share	$279.18
103-190-020-570	Fractional Unit	1/12 Fractional Share	$279.18
103-190-020-580	Fractional Unit	1/12 Fractional Share	$279.18
103-190-020-590	Fractional Unit	1/12 Fractional Share	$279.18
103-190-020-600	Fractional Unit	1/12 Fractional Share	$279.18
103-190-020-610	Fractional Unit	1/12 Fractional Share	$279.18
103-190-020-620	Fractional Unit	1/12 Fractional Share	$279.18
103-190-021-000	Condominium Unit	1	$3,491.10
103-190-022-510	Fractional Unit	1/12 Fractional Share	$290.92
103-190-022-520	Fractional Unit	1/12 Fractional Share	$290.92
103-190-022-530	Fractional Unit	1/12 Fractional Share	$290.92
103-190-022-540	Fractional Unit	1/12 Fractional Share	$290.92
103-190-022-550	Fractional Unit	1/12 Fractional Share	$290.92
103-190-022-560	Fractional Unit	1/12 Fractional Share	$290.92
103-190-022-570	Fractional Unit	1/12 Fractional Share	$290.92
103-190-022-580	Fractional Unit	1/12 Fractional Share	$290.92
103-190-022-590	Fractional Unit	1/12 Fractional Share	$290.92
103-190-022-600	Fractional Unit	1/12 Fractional Share	$290.92
103-190-022-610	Fractional Unit	1/12 Fractional Share	$290.92
103-190-022-620	Fractional Unit	1/12 Fractional Share	$290.92
103-190-023-510	Fractional Unit	1/12 Fractional Share	$290.92

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Residential Property

Assessor's Parcel Number	***Type of Residential Property***	***Number of Units***	***FY 2011-12 Maximum Special Tax (1)***
103-190-023-520	Fractional Unit	1/12 Fractional Share	$290.92
103-190-023-530	Fractional Unit	1/12 Fractional Share	$290.92
103-190-023-540	Fractional Unit	1/12 Fractional Share	$290.92
103-190-023-550	Fractional Unit	1/12 Fractional Share	$290.92
103-190-023-560	Fractional Unit	1/12 Fractional Share	$290.92
103-190-023-570	Fractional Unit	1/12 Fractional Share	$290.92
103-190-023-580	Fractional Unit	1/12 Fractional Share	$290.92
103-190-023-590	Fractional Unit	1/12 Fractional Share	$290.92
103-190-023-600	Fractional Unit	1/12 Fractional Share	$290.92
103-190-023-610	Fractional Unit	1/12 Fractional Share	$290.92
103-190-023-620	Fractional Unit	1/12 Fractional Share	$290.92
114-070-001-000	Condominium Unit	1	$4,983.26
114-070-002-000	Condominium Unit	1	$5,124.04
114-070-003-000	Condominium Unit	1	$4,842.50
114-070-004-000	Condominium Unit	1	$4,983.26
114-070-005-000	Condominium Unit	1	$4,842.50
114-070-006-000	Condominium Unit	1	$4,983.26
114-080-002-000	Condominium Unit	1	$5,405.58
114-080-003-000	Condominium Unit	1	$5,405.58
114-080-004-000	Condominium Unit	1	$4,842.50
114-080-005-000	Condominium Unit	1	$4,983.26
114-080-006-000	Condominium Unit	1	$4,842.50
114-080-007-000	Condominium Unit	1	$5,124.04
114-080-008-000	Condominium Unit	1	$4,983.26
114-080-009-000	Condominium Unit	1	$4,842.50
114-080-010-000	Condominium Unit	1	$4,842.50
114-080-011-000	Condominium Unit	1	$4,842.50
114-080-012-000	Condominium Unit	1	$4,842.50
114-080-013-000	Condominium Unit	1	$4,842.50
114-080-014-000	Condominium Unit	1	$4,983.26
114-080-015-000	Condominium Unit	1	$4,983.26
114-080-016-000	Condominium Unit	1	$4,983.26
114-080-017-000	Condominium Unit	1	$4,842.50
114-080-018-000	Condominium Unit	1	$4,842.50
113-010-001-000	Townhome Unit	1	$3,913.42
113-010-002-000	Townhome Unit	1	$3,913.42
113-010-003-000	Townhome Unit	1	$3,913.42
113-010-004-000	Townhome Unit	1	$3,913.42
113-010-005-000	Townhome Unit	1	$3,913.42
113-010-006-000	Townhome Unit	1	$3,913.42
113-010-007-000	Townhome Unit	1	$3,913.42
113-010-008-000	Townhome Unit	1	$3,913.42
113-010-009-000	Townhome Unit	1	$3,913.42
113-010-010-000	Townhome Unit	1	$3,913.42

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Residential Property

Assessor's Parcel Number	*Type of Residential Property*	*Number of Units*	*FY 2011-12 Maximum Special Tax (1)*
113-010-011-000	Townhome Unit	1	$3,913.42
113-010-012-000	Townhome Unit	1	$3,913.42
114-010-001-000	Townhome Unit	1	$5,405.58
114-010-002-000	Townhome Unit	1	$5,405.58
114-010-003-000	Townhome Unit	1	$5,405.58
114-010-004-000	Townhome Unit	1	$5,405.58
114-010-005-000	Townhome Unit	1	$5,405.58
114-010-006-000	Townhome Unit	1	$5,405.58
114-010-007-000	Townhome Unit	1	$5,405.58
114-010-008-000	Townhome Unit	1	$5,405.58
114-010-009-000	Townhome Unit	1	$5,405.58
114-010-010-000	Townhome Unit	1	$5,405.58
114-010-011-000	Townhome Unit	1	$5,405.58
114-010-012-000	Townhome Unit	1	$5,405.58
114-010-013-000	Townhome Unit	1	$5,405.58
114-010-014-000	Townhome Unit	1	$5,405.58
114-010-015-000	Townhome Unit	1	$5,405.58
114-010-016-000	Townhome Unit	1	$5,405.58
705-103-000-000	Condominium Unit	1	$3,491.10
705-104-000-000	Condominium Unit	1	$3,491.10
705-105-000-000	Condominium Unit	1	$3,350.34
705-106-000-000	Condominium Unit	1	$3,350.34
705-107-000-000	Condominium Unit	1	$3,491.10
705-108-000-000	Condominium Unit	1	$3,350.34
705-110-000-000	Condominium Unit	1	$3,491.10
705-201-000-000	Condominium Unit	1	$3,491.10
705-202-000-000	Condominium Unit	1	$3,491.10
705-203-000-000	Condominium Unit	1	$3,491.10
705-204-000-000	Condominium Unit	1	$3,491.10
705-205-000-000	Condominium Unit	1	$3,350.34
705-206-000-000	Condominium Unit	1	$3,350.34
705-207-000-000	Condominium Unit	1	$3,491.10
705-208-000-000	Condominium Unit	1	$3,350.34
705-209-000-000	Condominium Unit	1	$3,350.34
705-210-000-000	Condominium Unit	1	$3,491.10
705-301-000-000	Condominium Unit	1	$3,491.10
705-302-000-000	Condominium Unit	1	$3,491.10
705-303-000-000	Condominium Unit	1	$3,491.10
705-304-000-000	Condominium Unit	1	$3,491.10
705-305-000-000	Condominium Unit	1	$3,350.34
705-306-000-000	Condominium Unit	1	$3,350.34
705-307-000-000	Condominium Unit	1	$3,491.10
705-308-000-000	Condominium Unit	1	$3,350.34
705-309-000-000	Condominium Unit	1	$3,350.34

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Residential Property

Assessor's Parcel Number	*Type of Residential Property*	*Number of Units*	*FY 2011-12 Maximum Special Tax* (1)
705-310-000-000	Condominium Unit	1	$3,491.10
705-402-000-000	Condominium Unit	1	$3,491.10
705-404-000-000	Condominium Unit	1	$3,491.10
705-406-000-000	Condominium Unit	1	$3,350.34
705-407-000-000	Condominium Unit	1	$3,491.10
705-408-000-000	Condominium Unit	1	$3,350.34
705-409-000-000	Condominium Unit	1	$3,350.34
705-410-000-000	Condominium Unit	1	$3,491.10
706-102-000-000	Condominium Unit	1	$5,124.04
706-103-000-000	Condominium Unit	1	$4,842.50
706-104-000-000	Condominium Unit	1	$4,842.50
706-106-000-000	Condominium Unit	1	$4,983.26
706-108-000-000	Condominium Unit	1	$4,983.26
706-202-000-000	Condominium Unit	1	$5,124.04
706-203-000-000	Condominium Unit	1	$4,842.50
706-204-000-000	Condominium Unit	1	$4,983.26
706-205-000-000	Condominium Unit	1	$4,983.26
706-206-000-000	Condominium Unit	1	$4,983.26
706-207-000-000	Condominium Unit	1	$4,983.26
706-208-000-000	Condominium Unit	1	$4,983.26
706-303-000-000	Condominium Unit	1	$4,842.50
706-304-000-000	Condominium Unit	1	$4,983.26
706-305-000-000	Condominium Unit	1	$4,983.26
706-306-000-000	Condominium Unit	1	$4,983.26
706-307-000-000	Condominium Unit	1	$4,983.26
706-308-000-000	Condominium Unit	1	$4,983.26
706-403-000-000	Condominium Unit	1	$4,842.50
706-404-000-000	Condominium Unit	1	$4,983.26
706-405-000-000	Condominium Unit	1	$4,983.26
706-406-000-000	Condominium Unit	1	$4,983.26
706-407-000-000	Condominium Unit	1	$4,983.26
706-408-000-000	Condominium Unit	1	$4,983.26
706-503-000-000	Condominium Unit	1	$5,124.04
706-504-000-000	Condominium Unit	1	$5,124.04
706-507-000-000	Condominium Unit	1	$4,983.26
706-508-000-000	Condominium Unit	1	$4,983.26
Total Designated Developed Parcels (Residential Property)		**326**	**$1,237,088.70**

/1 On July 1, 2012 and each July 1 thereafter, the Maximum Special Taxes shown above shall be increased by two percent (2%) of the Maximum Special Tax amount in effect in the prior Fiscal Year.

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Non-Residential Property

Assessor's Parcel Number	*Type of Property*	*FY 2011-12 Maximum Special Tax*	*FY 2012-13 Maximum Special Tax*	*FY 2013-14 Maximum Special Tax*	*FY 2014-15 Maximum Special Tax*	*FY 2015-16 and Future Fiscal Years Maximum Special Tax*
103-020-001-000	Non-Residential	$167.92	$171.36	$174.82	$257.74	/1
103-020-002-000	Non-Residential	$983.18	$1,003.40	$1,023.64	$1,509.16	/1
103-020-003-000	Non-Residential	$107.16	$109.36	$111.58	$164.50	/1
103-020-004-000	Non-Residential	$196.34	$200.38	$204.42	$301.38	/1
103-020-005-000	Non-Residential	$406.06	$414.40	$422.76	$623.28	/1
103-020-006-000	Non-Residential	$197.80	$201.88	$205.94	$303.62	/1
103-020-007-000	Non-Residential	$340.20	$347.20	$354.20	$522.20	/1
103-020-008-000	Non-Residential	$257.58	$262.88	$268.18	$395.38	/1
103-020-009-000	Non-Residential	$322.22	$328.84	$335.48	$494.60	/1
103-020-010-000	Non-Residential	$302.04	$308.26	$314.48	$463.64	/1
103-020-011-000	Non-Residential	$238.62	$243.54	$248.44	$366.28	/1
103-020-012-000	Non-Residential	$170.10	$173.60	$177.10	$261.10	/1
103-020-013-000	Non-Residential	$186.62	$190.46	$194.30	$286.46	/1
103-020-014-000	Non-Residential	$331.70	$338.52	$345.34	$509.14	/1
103-050-001-000	Non-Residential	$255.16	$260.40	$265.66	$391.66	/1
103-050-003-000	Non-Residential	$815.50	$832.28	$849.06	$1,251.78	/1
103-050-004-000	Non-Residential	$260.50	$265.86	$271.22	$399.86	/1
103-050-006-000	Non-Residential	$363.52	$371.00	$378.48	$558.00	/1
103-050-008-000	Non-Residential	$766.66	$782.44	$798.22	$1,176.82	/1
103-050-010-000	Non-Residential	$353.08	$360.34	$367.60	$541.96	/1
103-050-012-000	Non-Residential	$318.08	$324.64	$331.18	$488.26	/1
103-050-014-000	Non-Residential	$390.02	$398.04	$406.06	$598.66	/1
103-050-016-000	Non-Residential	$401.92	$410.20	$418.46	$616.94	/1
103-050-024-000	Non-Residential	$628.88	$641.82	$654.76	$965.32	/1
103-050-025-000	Non-Residential	$255.40	$260.64	$265.90	$392.02	/1
103-050-026-000	Non-Residential	$314.20	$320.66	$327.12	$482.28	/1
103-050-027-000	Non-Residential	$204.12	$208.32	$212.52	$313.32	/1
103-050-028-000	Non-Residential	$184.68	$188.48	$192.28	$283.48	/1
103-050-029-000	Non-Residential	$410.42	$418.88	$427.32	$630.00	/1
103-050-030-000	Non-Residential	$390.02	$398.04	$406.06	$598.66	/1
103-060-012-000	Non-Residential	$583.44	$595.44	$607.46	$895.58	/1
103-070-006-000	Non-Residential	$416.26	$424.82	$433.38	$638.94	/1
103-070-007-000	Non-Residential	$162.32	$165.66	$169.00	$249.16	/1
103-070-008-000	Non-Residential	$85.06	$86.80	$88.56	$130.56	/1
103-070-009-000	Non-Residential	$807.00	$823.60	$840.22	$1,238.74	/1
103-070-010-000	Non-Residential	$670.92	$684.72	$698.54	$1,029.86	/1
103-080-010-000	Non-Residential	$908.58	$927.28	$945.96	$1,394.64	/1
103-110-001-000	Non-Residential	$273.62	$279.24	$284.88	$420.00	/1
103-110-002-000	Non-Residential	$349.92	$357.12	$364.32	$537.12	/1
103-110-003-000	Non-Residential	$415.54	$424.08	$432.64	$637.84	/1
103-110-004-000	Non-Residential	$315.66	$322.16	$328.64	$484.52	/1
103-110-005-000	Non-Residential	$568.62	$580.32	$592.02	$872.82	/1
103-110-006-000	Non-Residential	$672.86	$686.72	$700.56	$1,032.84	/1

ATTACHMENT 1

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Designated Developed Parcels
Of Non-Residential Property

Assessor's Parcel Number	*Type of Property*	*FY 2011-12 Maximum Special Tax*	*FY 2012-13 Maximum Special Tax*	*FY 2013-14 Maximum Special Tax*	*FY 2014-15 Maximum Special Tax*	*FY 2015-16 and Future Fiscal Years Maximum Special Tax*
103-110-007-000	Non-Residential	$491.34	$501.46	$511.56	$754.20	/1
103-110-008-000	Non-Residential	$206.56	$210.80	$215.06	$317.06	/1
103-110-009-000	Non-Residential	$437.88	$446.90	$455.90	$672.14	/1
103-140-008-000	Non-Residential	$336.32	$343.24	$350.16	$516.24	/1
103-150-004-000	Non-Residential	$356.72	$364.06	$371.40	$547.56	/1
103-150-005-000	Non-Residential	$226.72	$231.38	$236.04	$348.00	/1
103-150-006-000	Non-Residential	$257.34	$262.64	$267.92	$395.00	/1
103-150-007-000	Non-Residential	$218.70	$223.20	$227.70	$335.70	/1
103-150-008-000	Non-Residential	$774.92	$790.88	$806.82	$1,189.50	/1
110-050-064-000	Non-Residential	$13,554.94	$13,773.56	$13,992.20	$21,862.80	/1
Total Designated Developed Parcels (Non-Residential Property)		**$33,610.94**	**$34,242.20**	**$34,873.52**	**$52,648.32**	

(1) The Maximum Special Tax for Designated Developed Parcels of Non-Residential Property in Fiscal Year 2015-16 and for each Fiscal Year thereafter will be the Maximum Special Tax in effect the prior Fiscal Year increased by two percent (2%).

ATTACHMENT 2

Northstar Community Services District
Community Facilities District No. 1

Maximum Special Tax Rates for Future Development Parcels

Assessor's Parcel Number	*Anticipated Condominium Units*	*Anticipated Townhome Units*	*Anticipated Single Family Detached Units*	*FY 2011-12 Maximum Special Tax*[(1)]
110-030-068-000		22	32	$ 313,000.00
110-050-047-000	318	20		1,700,000.00
110-050-058-000	307	144		2,327,000.00
110-050-060-000	61			305,000.00
110-081-017-000		2		11,000.00
110-400-005-000	110	17		643,500.00
113-010-017-000		1		5,500.00
113-010-018-000		1		5,500.00
113-010-019-000		1		5,500.00
113-010-020-000		1		5,500.00
113-010-021-000		1		5,500.00
113-010-022-000		1		5,500.00
113-010-023-000		1		5,500.00
113-010-024-000		1		5,500.00
113-010-025-000		1		5,500.00
113-010-026-000		1		5,500.00
113-010-027-000		1		5,500.00
113-010-028-000		1		5,500.00
113-010-029-000		1		5,500.00
113-010-030-000		1		5,500.00
113-010-031-000		1		5,500.00
113-010-032-000		1		5,500.00
113-010-033-000		1		5,500.00
113-010-034-000		1		5,500.00
113-010-035-000		1		5,500.00
113-010-036-000		1		5,500.00
113-010-037-000		1		5,500.00
113-010-038-000		1		5,500.00
113-020-004-000	32			160,000.00
113-020-011-000	37			185,000.00
114-020-004-000	50			250,000.00
Total				$ 6,015,500.00

(1) On July 1, 2012 and each July 1 thereafter, the Maximum Special Taxes shown above shall be increased by two percent (2%) of the Maximum Special Tax amount in effect in the prior Fiscal Year.

APPENDIX B

APPRAISAL

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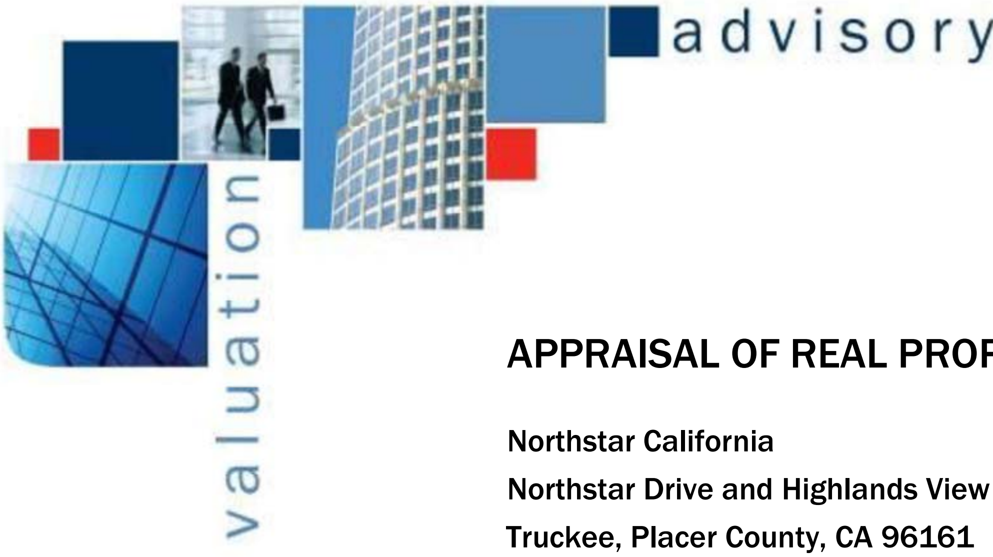

APPRAISAL OF REAL PROPERTY

Northstar California
Northstar Drive and Highlands View Road
Truckee, Placer County, CA 96161

IN AN APPRAISAL REPORT
As of June 1, 2014

Prepared For:
Northstar Community Services District
908 Northstar Drive
Truckee, CA 96160

Prepared By:
Cushman & Wakefield of Colorado, Inc.
Valuation & Advisory
1050 Seventeenth Street, Suite 1400
Denver, CO 80265
C&W File ID: 14-51001-900213-001

Northstar California

Northstar Drive and Highlands View Road

Truckee, Placer County, CA 96161

1050 SEVENTEENTH STREET, SUITE 1400
DENVER, CO 80265

July 13, 2014

Mr. Michael Staudenmayer
General Manager
Northstar Community Services District
908 Northstar Drive
Truckee, CA 96160

Re: Appraisal of Real Property

Northstar California
Northstar Drive and Highlands View Road
Truckee, Placer County, CA 96161

C&W File ID: 14-51001-900213-001

Dear Mr. Staudenmayer:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our appraisal report of the above property in a self-contained format dated May 27, 2014. The effective date of value is June 01, 2014.

This appraisal report has been prepared in accordance with the *Uniform Standards of Professional Appraisal Practice* (USPAP) and the Appraisal Standards for Land Secured Financing per the California Debt and Investment Advisory Commission (CDIAC).

The Northstar Community Facilities District includes the master planned community of Northstar California totaling 1,500 existing and proposed units as well as existing commercial/non-residential space. There are currently 298 condominium units, 40 townhome units and 4 lots sold to homeowners with another 180 undeveloped units contained in projects controlled by third party developer's. The master developer of the CFD controls another 64 units (townhomes and lots) which are platted and active, as well as 914 future development units in the Mountainside area of Northstar. These remaining units are proposed as townhomes, condominiums or lots on various development parcels within the project. Most all of the existing and future development will have some type of ski access.

The purpose of this appraisal is to estimate the market value of the fee simple interest, subject to special tax and special assessment liens, of all property within the Northstar Community Facilities District for the purposes of establishing the value for bond underwriting. The retail values of the fully improved properties that have been sold to homeowners are represented by the current assessments by the Placer County Assessor. Bulk values of the unimproved or partially improved properties have been estimated utilizing the Development Approach applying discounted cash flow methodology.

Based on the agreed-to Scope of Work, and as outlined in the report, we developed the following opinions of Market Value for the undeveloped property with the Developed Property represented by the Placer County Assessed Values which are summarized as follows:

Value Conclusions/Assessed Values - As Is

Property Type	Real Property Interest	Date Of Value	Value Conclusions/or Assessments**
Developed Property - Residential	Fee Simple	Assessed Value***	$381,690,675
Developed Property - Non-Residential	Fee Simple	Assessed Value	$65,701,762
Future Development Property in Progress - Private	Fee Simple	6/1/2014	$15,700,000
Future Development Property in Progress - Developer	Fee Simple	6/1/2014	$26,400,000
Future Development Property - Tentative Map	Fee Simple	6/1/2014	$89,400,000
Grand Total Northstar CFD*	Fee Simple	6/1/2014	$578,892,437

Compiled by Cushman & Wakefield of Colorado, Inc.

* This is not a bulk value of the CFD. It is a sum of the individual parcel values and is presented for informational purposes only

**These values represent totals of individual parcels and do not reflect a bulk value of each category

*** Assessed values for 2014/15 as shown in the records of the Placer County Assessor for properties conveyed prior to 1/1/2014 lien date, or reported sale prices for properties conveyed subsequent to said date, or appraised value for future development.

The value opinions in this report are qualified by certain assumptions, limiting conditions, certifications, and definitions, as well as the following extraordinary assumptions and hypothetical conditions, if any.

EXTRAORDINARY ASSUMPTIONS

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions. The use of extraordinary assumptions, if any, might have affected the assignment results.

- The report, analysis and conclusions stated herein rely heavily upon information provided by others, including the district, the developers and other consultants involved in the project. The reliability of our conclusions is directly related to the accuracy and reasonableness of the information we have been provided.
- For the purposes of reporting value of the developed and sold units we have utilized the assessed values assigned by the Placer County Assessor. This is consistent with the appraisal guidelines of the CDIAC and the agreed to Scope of Work with the client. Thus this does not necessarily reflect “market value”.
- Our analysis specifically assumes final plat maps will be granted for the various land areas to be platted and developed in the future with individual units.
- We were provided with the size of existing and prospective units and planned density by the owner/developer. We assume that the development will, in large part, remain true to the proposed project as related to the appraisers in terms of unit sizing, placement, pricing, and amenities. We acknowledge that there may be future market fluctuations that may necessitate some changes in plans in order to maximize profitability.
- Because of the economic size of the subject, this analysis assumes that the developer is capable of constructing master planned communities of this type and has the financial capabilities for complete community build-out. The original developer is still in place.

- The value estimates are dependent upon completion of construction of the planned improvements in a timely, workmanlike manner and in substantial conformance with the information provided to the appraisers.
- It is assumed that prudent management and aggressive regional marketing will be implemented during all phases of the sellout of the community.
- Our financial analysis is based on estimates and assumptions that were developed in connection with this appraisal engagement. It is, however, inevitable that some assumptions will not materialize and that unanticipated events may occur which will cause actual achieved operating results to differ from the financial analyses contained in this report, and these differences may be material. It should be further noted that we are not responsible for the effectiveness of future management and marketing efforts upon which the projected results contained in this report may depend.

HYPOTHETICAL CONDITIONS

For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions. The use of hypothetical conditions, if any, might have affected the assignment results.

This appraisal does not employ any hypothetical conditions.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

CUSHMAN & WAKEFIELD OF COLORADO, INC.

Christopher T. Donaldson

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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

The Northstar Community Facilities District (CFD) is part of the master planned community of Northstar California. The master plan for this community was approved in 2005 for a total of 1,800 units with the most current development plan estimating build out totaling 1,500 units. The existing improvements include the Village at Northstar, as well as the Highlands View Road and Ritz-Carlton hotel. The Highlands View Road and associated utility infrastructure provides access to extensive future development potential with virtually all sites having good ski access to the Northstar California resort. The developed property in the CFD is summarized in the following table.

- 298 whole ownership condominiums
- 40 whole ownership townhomes
- 82,535 sq. ft. of commercial space in the Village
- 218,628 sq. ft. of commercial space in Ritz-Carlton
- 3,800 sq. ft. Tree House Recreation building

It is noted that many of the existing whole ownership condominiums in the Village have been sold as fractional interest. The Assessed Values for these units are included in the total assessed values reported herein. Our analysis does not include any units to be sold in fractional interest.

In addition to the developed property there is on-going development and recent market activity focused around future phases of existing projects. Recent market activity includes the following:

- Ritz-Carlton East Parcel entitled for 61 condominium units purchased by Kennedy Wilson in December 2012. No immediate plans for development.
- Ritz-Carlton West Parcel entitled for 50 condominium units purchased by JMA Ventures in 2011. JMA has completed design work and have plans to begin new construction in 2015.
- Hyatt Phase 2 entitled for 37 condominium units purchased by Welk Resorts in March 2013. This project is currently in the planning process for perhaps new construction beginning in 2014. There is an existing foundation.
- Hyatt Phase 3 entitled for 32 condominium units purchased by Welk Resorts in March 2013. No immediate plans for development.

Other market activity includes projects underway by the master developer, East West Resorts, which is summarized as follows:

- Home Run Townhomes: 16 newly constructed townhomes with 12 sold in the last two years
- Village Walk Phase 2: 6 finished townhome lots with foundations and proposed new construction in 2014
- Village Walk Phase 3: 16 finished townhome lots
- Martis 25: 25 finished single family lots with on-going sales. 4 sold and 1 under contract as of date of appraisal.

Future development is planned for 750 condominiums, 154 townhomes and 10 single family lots, for a total of 914 future units which have existing entitlements. Approximately 430 of these units with entitlements have been identified with a tentative tract map approved by Placer County. This development is likely to occur over the next 10 to 20 years depending on demand.

In the past ten years approximately $1.0 billion dollars has been invested in the Northstar California CFD. This includes the Village at Northstar with the residential condominiums and commercial space, the Ritz Carlton Hotel and condominiums, Mountainside View Road and associated utility infrastructure, the Hyatt Northstar Lodge, and on mountain investment by Booth Creek, and more recently Vail Resorts Inc. who purchased the mountain operations in fall of 2010.

BASIC INFORMATION	
Common Property Name:	Northstar at Tahoe
Address:	Northstar Drive and Highlands View Road Truckee, CA 96161
County:	Placer
Property Ownership Entity:	Numerous Property Owners

SITE INFORMATION		
Land Area:	**Square Feet**	**Acres**
Main Parcel	19,875,121	456.27
Total Land Area:	19,875,121	456.27
Site Shape:	Irregularly shaped	
Site Topography:	Rolling	
Frontage:	Average	
Site Utility:	Average	

MUNICIPAL INFORMATION	
Assessment Information:	
Assessing Authority	Placer County
Assessor's Parcel Identification	Numerous
Current Tax Year	2014
Taxable Assessment	$445,618,589
Tax Assessment per unit (Avg. for 1,500 units)	$297,079
Current Tax Liability	$13,706,883.00
Taxes per unit (Avg. for 1,500 units)	$9,138
Are taxes current?	Taxes are current
Is a grievance underway?	Not to our knowledge
Subject's assessment is	At market levels
Zoning Information:	
Municipality Governing Zoning	Placer County
Current Zoning	Master Planned Community
Is current use permitted?	Yes
Current Use Compliance	Complying use
Zoning Change Pending	No
Zoning Variance Applied For	Not applicable

HIGHEST & BEST USE

As Vacant:

Development of a mixed use, recreationally oriented residential development. The subject land as though vacant represents a unique ownership of private land adjacent to a well established ski area in the Lake Tahoe region. Most resorts are on land leased by the Federal government. The integration of skiing with second homes and lodging has been a popular development opportunity in the last twenty years.

As Improved:

A mixed use resort as it is currently exists and is being developed or is proposed.

VALUATION INDICES	Market Value As-Is
VALUE DATE	6/1/2014
FINAL VALUE CONCLUSIONS	
Real Property Interest:	Fee Simple
Developed Property - Residential	$381,690,675
Developed Property - Non-Residential	$65,701,762
Future Development Property in Progress - Private	$15,700,000
Future Development Property in Progress - Developer	$26,400,000
Future Development Property Unplatted	$89,400,000
Totals*	$578,892,437
EXPOSURE AND MARKETING TIME	
Exposure Time:	12 Months

*** Totals do not represent bulk value to a single purchaser**

EXTRAORDINARY ASSUMPTIONS

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions. The use of extraordinary assumptions, if any, might have affected the assignment results.

- The report, analysis and conclusions stated herein rely heavily upon information provided by others, including the district, the developers and other consultants involved in the project. The reliability of our conclusions is directly related to the accuracy and reasonableness of the information we have been provided.
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- Our analysis specifically assumes final plat maps will be granted for the various land areas to be platted and developed in the future with individual units.
- We were provided with the size of existing and prospective units and planned density by the owner/developer. We assume that the development will, in large part, remain true to the proposed project as related to the appraisers in terms of unit sizing, placement, pricing, and amenities. We acknowledge that there may be future market fluctuations that may necessitate some changes in plans in order to maximize profitability.
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- The value estimates are dependent upon completion of construction of the planned improvements in a timely, workmanlike manner and in substantial conformance with the information provided to the appraisers.
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- Our financial analysis is based on estimates and assumptions that were developed in connection with this appraisal engagement. It is, however, inevitable that some assumptions will not materialize and that unanticipated events may occur which will cause actual achieved operating results to differ from the financial analyses contained in this report, and these differences may be material. It should be further noted that we are not responsible for the effectiveness of future management and marketing efforts upon which the projected results contained in this report may depend.

HYPOTHETICAL CONDITIONS

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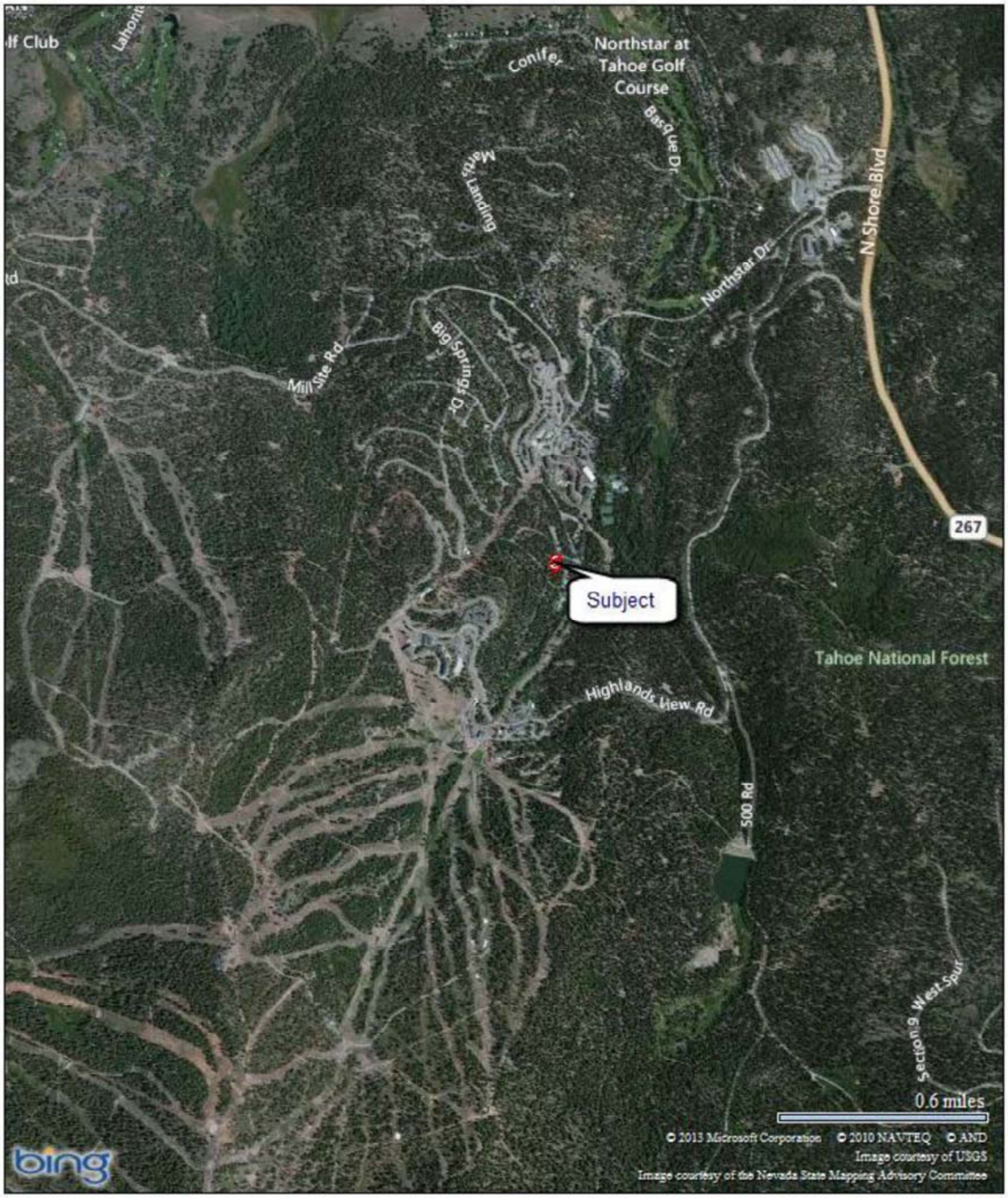
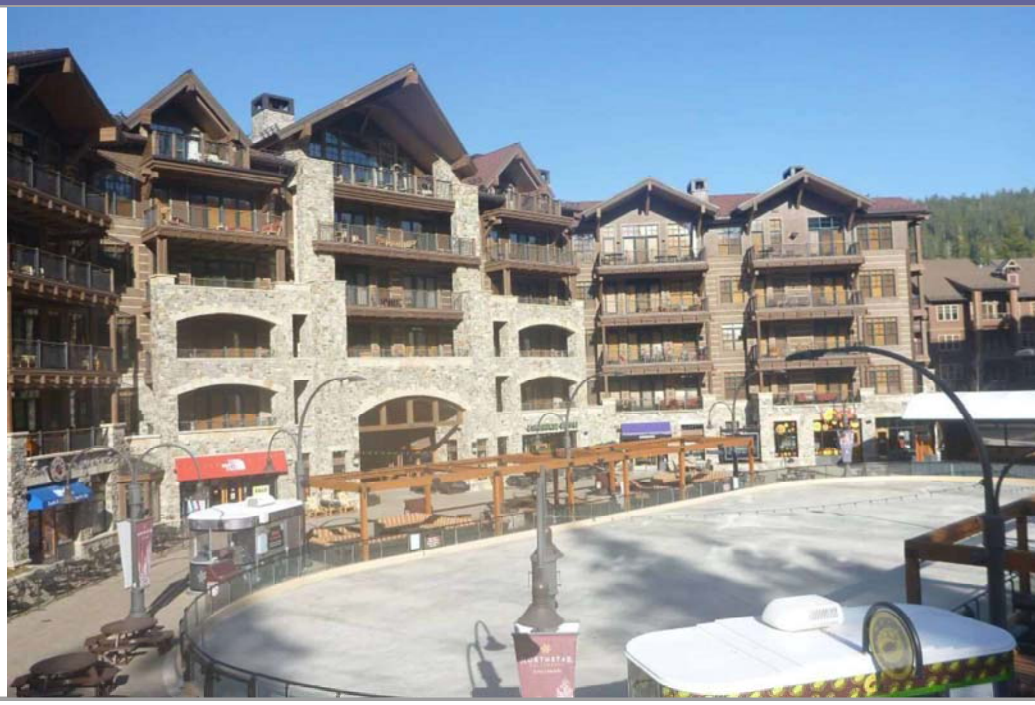
This appraisal does not employ any hypothetical conditions.

Property Photographs

AERIAL PHOTOGRAPHS

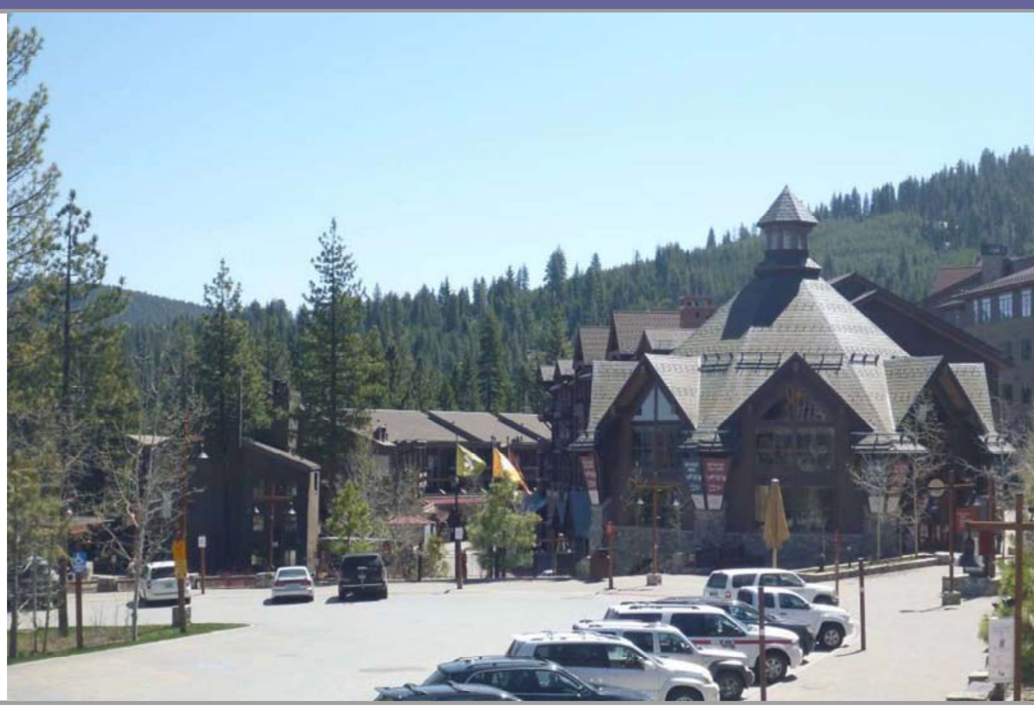




Great Bear Lodge and Skate Rink in central Village at Northstar

Iron Horse South Building – Commercial Space on Ground Level

One Village Place and Big Springs Gondola Station



Village Entry Area

Northstar Lodge Phase 1 (formerly Hyatt, now Welk)

Northstar Lodge Phase 2 and 3 Parcels Looking East from Phase 1

Village Walk Townhomes

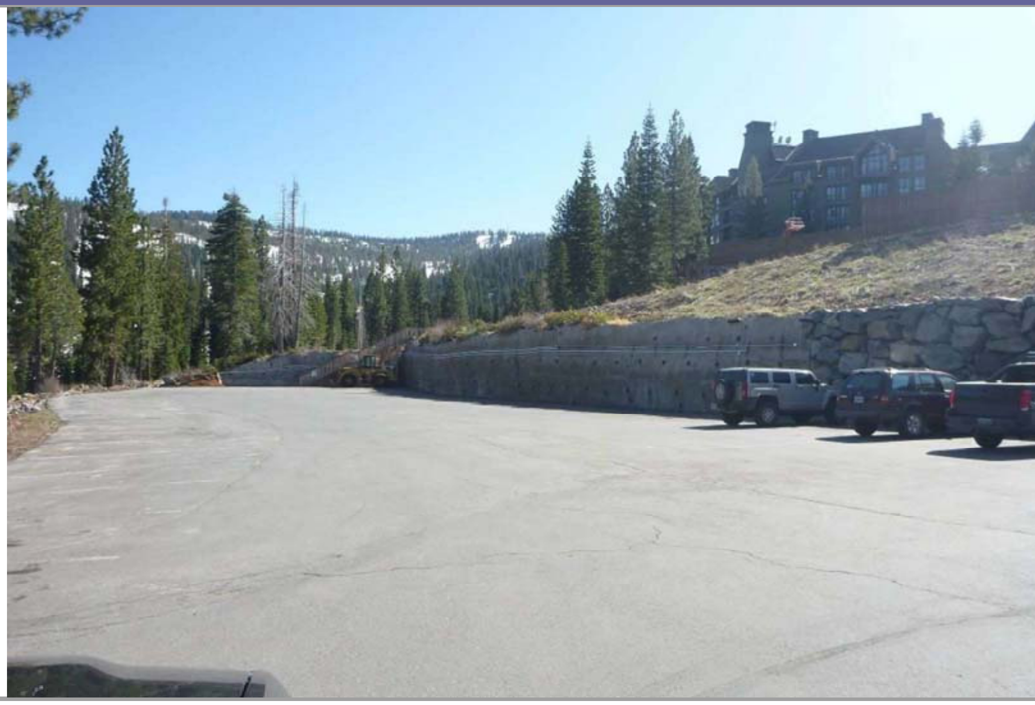
Future Phases of Village Walk Townhomes

Ritz-Carlton Hotel from the Gulch Ski Run

Ritz-Carlton Lobby

Constellation Phase 1

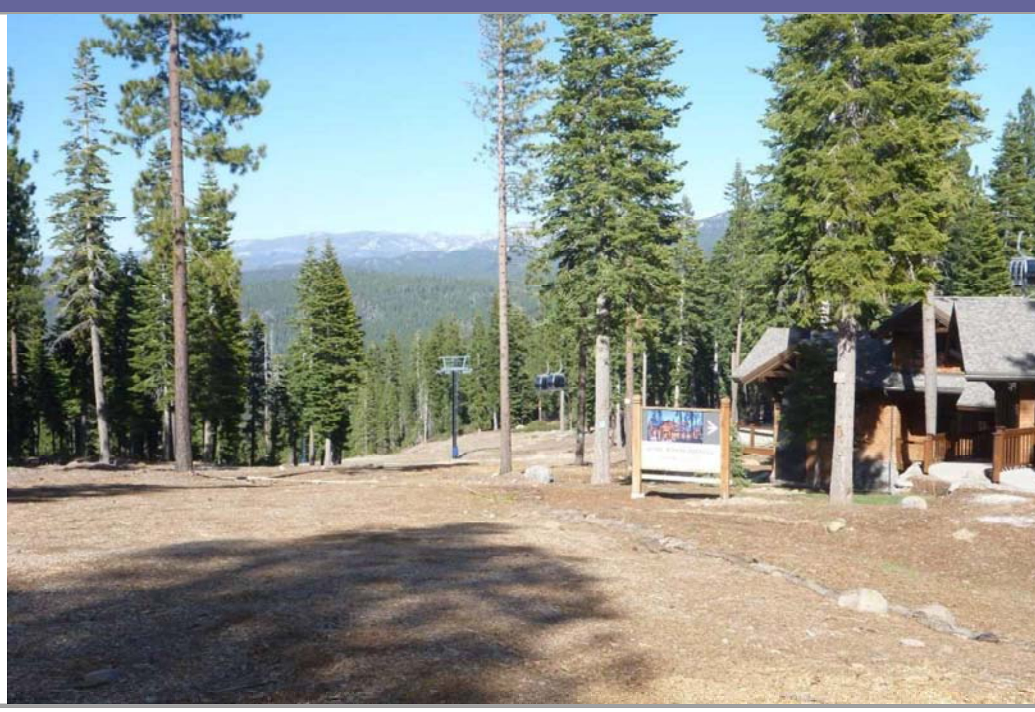
Constellation Phase 2 (Ritz West Parcel 50 Units)



Ritz East Parcel (61 Units)

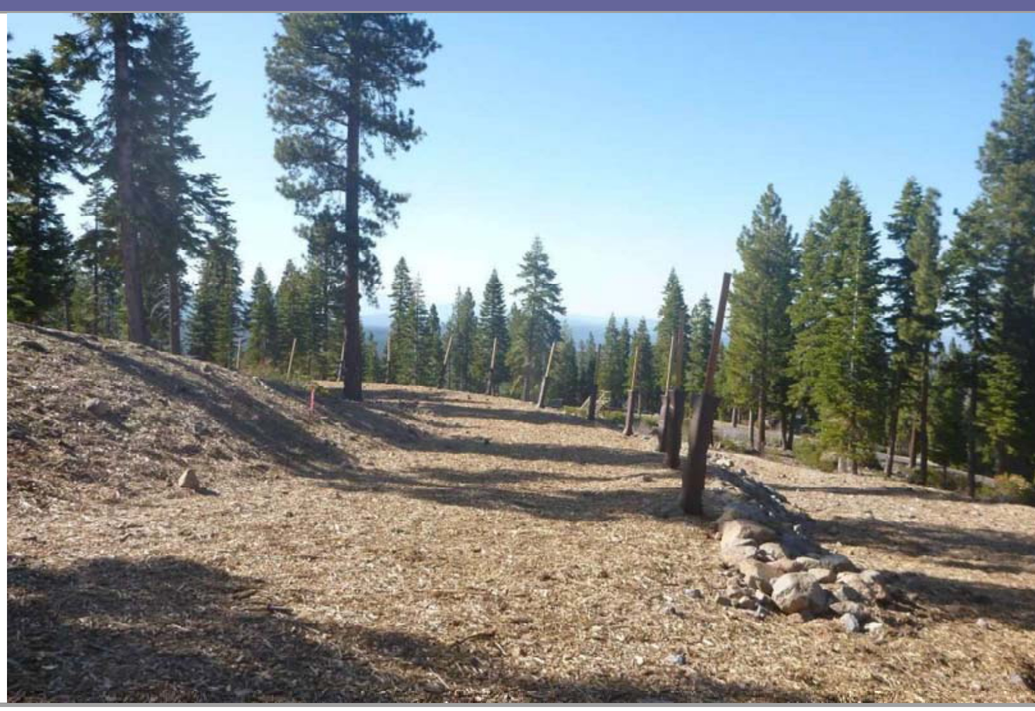
Home Run Townhome Phase 1

Home Run Townhome Interior



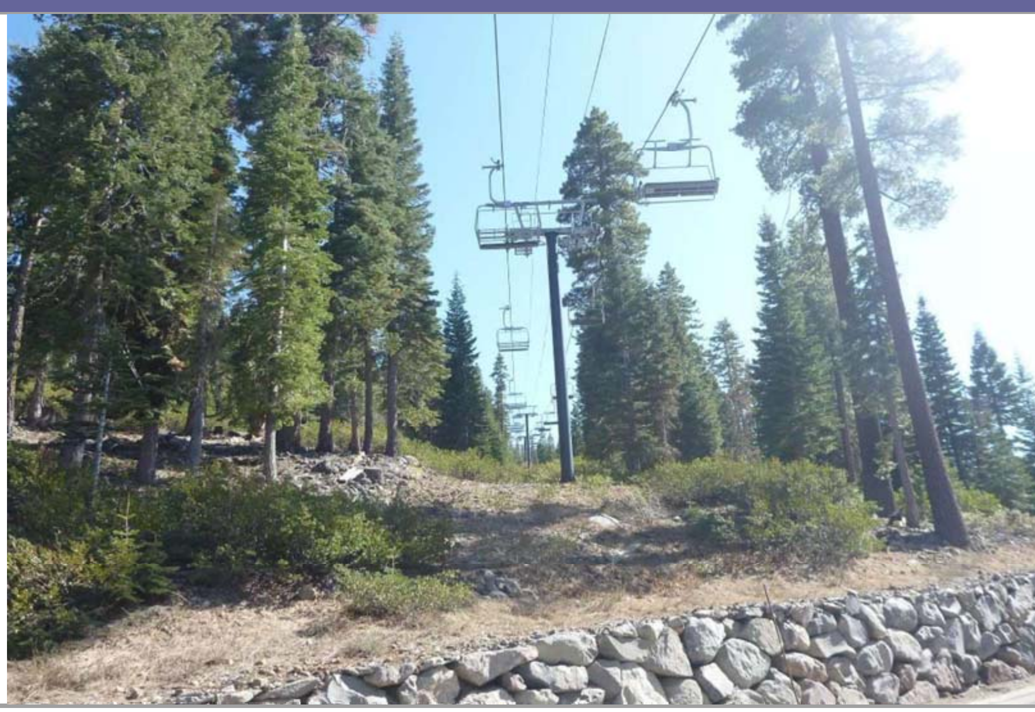
Home Run Ski Run – Home Run Townhomes on Right

Martis 25 Lots Infrastructure

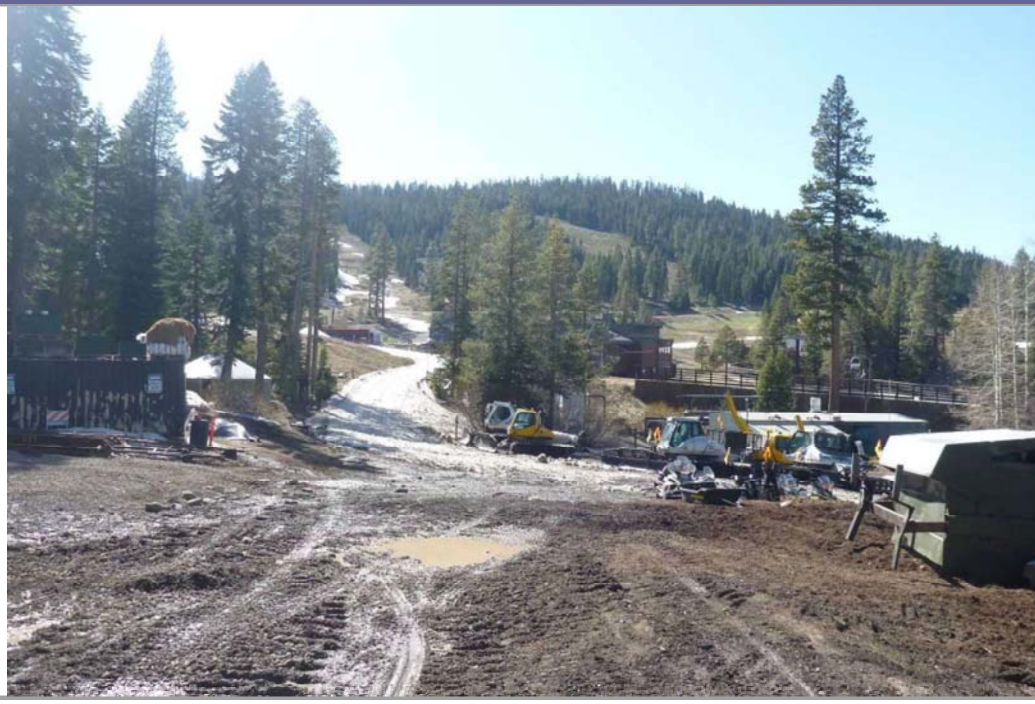


Martis 25 Lots Skiway

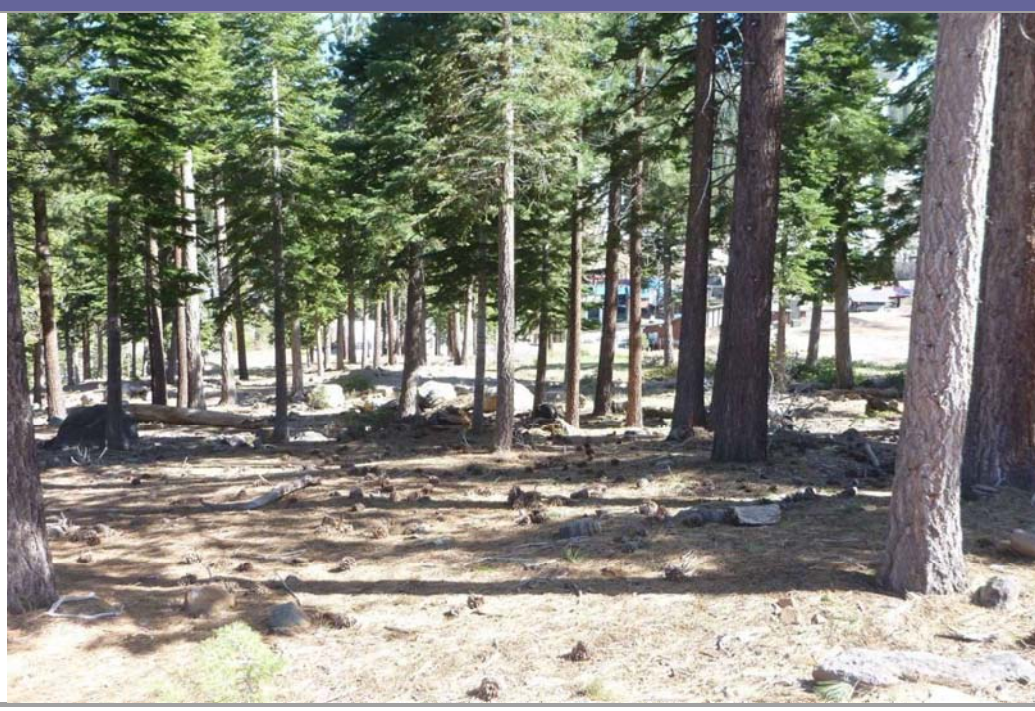
Village Express Lift Looking North/Downhill Through Development Parcel 110-050-071 Proposed for Townhomes and Condominiums



Village Express Lift Looking South/Uphill Through Development Parcel 110-050-072

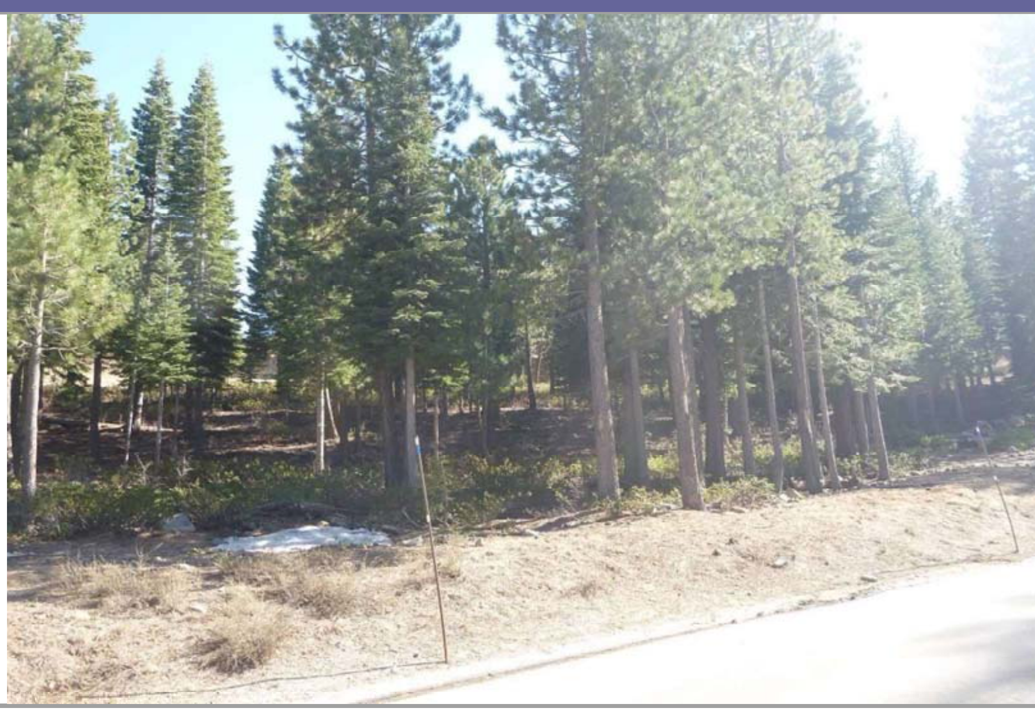


Developer Parcels 2A & 2B (in 110-050-072 - 178 Condominiums Looking West Towards Mid Mountain Lodge



Developer Parcel 4 (in 110-050-072) – 32 Condominiums

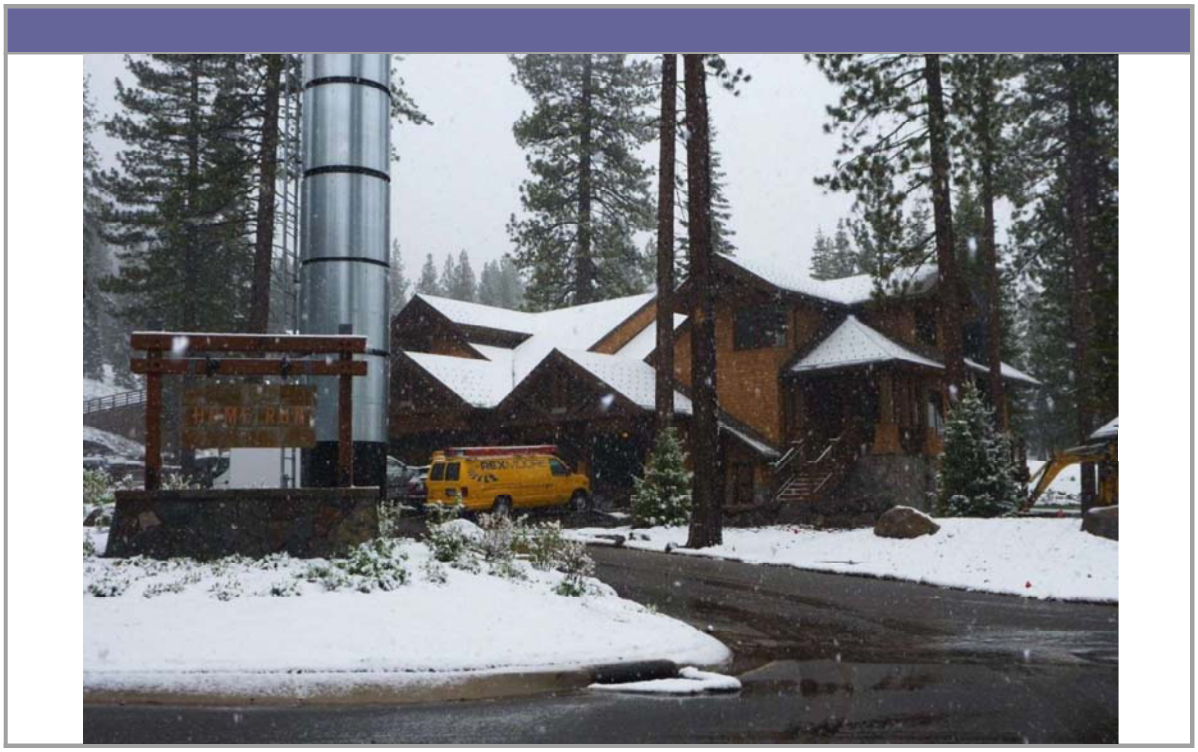
Developer Parcels 8 & 9 (in 110-050-072) – 140 Condominiums & 32 Townhomes



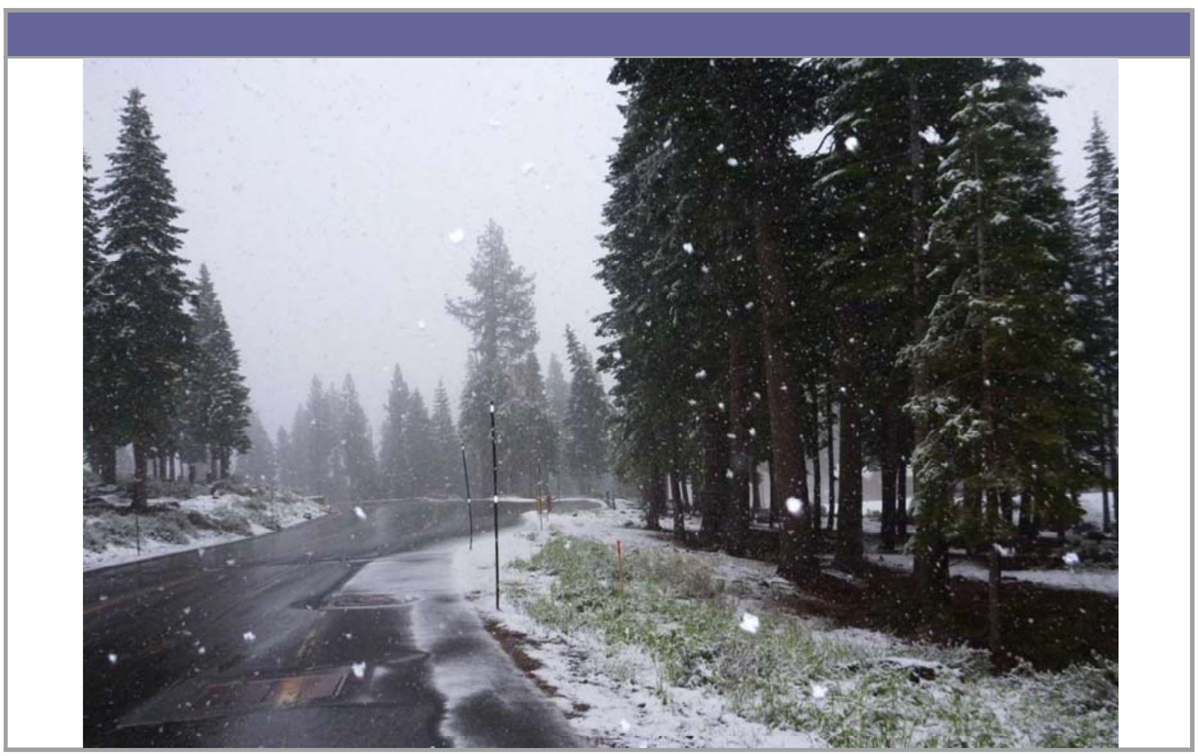
Developer Parcel 10A in 110-050-072 – 32 Condominiums


Developer Parcels 10C & 10E (in 110-050-072) 8 Townhomes 36 Condominiums


Developer Parcel 10G (in 110-050-079) – 10 Lots



Home Run Phase 2



Mountainside View Drive Looking North Lot 10C on Right

Tree House Recreation Building

Tree House Recreation Building Interior

Glades Condominium Site (in 110-050-072) – 96 Condominiums

TABLE OF CONTENTS

PROPERTY PHOTOGRAPHS ---- VIII
INTRODUCTION ---- 1
SCOPE OF WORK ---- 1
IDENTIFICATION OF PROPERTY ---- 4
PROPERTY OWNERSHIP AND RECENT HISTORY ---- 4
DATES OF INSPECTION AND VALUATION ---- 4
CLIENT, INTENDED USE AND USERS OF THE APPRAISAL ---- 5
EXTRAORDINARY ASSUMPTIONS ---- 5
HYPOTHETICAL CONDITIONS ---- 6
REGIONAL ANALYSIS ---- 7
SAN FRANCISCO REGIONAL ANALYSIS ---- 8
MARKET DEFINITION ---- 8
CURRENT TRENDS ---- 9
DEMOGRAPHIC TRENDS ---- 10
ECONOMIC TRENDS ---- 13
CONCLUSION ---- 17
SACRAMENTO REGIONAL ANALYSIS ---- 18
INTRODUCTION ---- 18
CURRENT TRENDS ---- 19
DEMOGRAPHIC TRENDS ---- 20
ECONOMIC TRENDS ---- 23
CONCLUSION ---- 28
LOCAL AREA ANALYSIS ---- 29
LOCATION OVERVIEW ---- 30
NEIGHBORHOOD ANALYSIS ---- 30
ACCESS ---- 31
CONCLUSION ---- 31
MARKET ANALYSIS ---- 32
WESTERN MOUNTAIN RESORT MARKET ANALYSIS ---- 42
WESTERN RESORT COMMUNITY MARKET ACTIVITY ---- 42
SKI MARKET ANALYSIS ---- 46
NATIONAL SKI AREA OVERVIEW ---- 46
REGIONAL SKI MARKET ANALYSIS – LAKE TAHOE ---- 59
TRADE AREA OVERVIEW ---- 63
TRADE AREA ANALYSIS ---- 64
CONCLUSION ---- 67
SITE DESCRIPTION ---- 68
NORTHSTAR CFD DESCRIPTION ---- 73
DEVELOPED PROPERTY ---- 74
FUTURE DEVELOPMENT WITH RECENT ACTIVITY ---- 77
FUTURE DEVELOPMENT & ON-GOING CONSTRUCTION/SALES ---- 78
REAL PROPERTY TAXES AND ASSESSMENTS ---- 85
ZONING ---- 87
OVERVIEW OF COMMUNITY FACILITIES DISTRICT NO. 1 ---- 88
VALUATION ---- 92
HIGHEST AND BEST USE ---- 92
VALUATION PROCESS ---- 95
DEVELOPED PROPERTY ---- 98
FUTURE DEVELOPMENT WITH RECENT ACTIVITY ---- 103
LAND VALUATION ---- 105
DEVELOPMENT APPROACH ---- 112
HOME RUN TOWNHOMES DEVELOPMENT ANALYSIS ---- 134
VILLAGE WALK TOWN HOMES ---- 138
LOT 9A TREE HOUSE TOWNHOMES ---- 141
LOT 10C HOME RUN CABINS ---- 144
MARTIS 25 LOTS ---- 147

FUTURE DEVELOPMENT MOUNTAINSIDE TENTATIVE MAP — 150
PARCEL 110-030-79 — 150
PARCEL 110-050-072 — 153
PARCEL 110-050-071 — 157
PARCEL 110-081-017 — 161
PARCEL 110-400-005 — 164
DEVELOPMENT ANALYSIS VALUE SUMMARY — 168
RECONCILIATION AND FINAL VALUE OPINION — 169
ASSUMPTIONS AND LIMITING CONDITIONS — 170
CERTIFICATION OF APPRAISAL — 172
ADDENDA CONTENTS — 173

Introduction

SCOPE OF WORK

This appraisal, presented in a self-contained report, is intended to comply with the reporting requirements outlined under the USPAP for a self-contained appraisal report as well as to comply with the Appraisal Standards for Land Secured Financing per the California Debt and Investment Advisory Commission (CDIAC).

Cushman & Wakefield of Colorado, Inc. has an internal Quality Control Oversight Program. This Program mandates a “second read” of all appraisals. Assignments prepared and signed solely by designated members (MAIs) are read by another MAI who is not participating in the assignment. Assignments prepared, in whole or in part, by non-designated appraisers require MAI participation, Quality Control Oversight, and signature.

For this assignment, Quality Control Oversight was provided by Brian J. Curry, MAI, SRA, CRE, FRICS.

The scope of this appraisal has the primary function of researching pertinent details and developing an opinion as to the market value of the fee simple interest in the subject property subject to special tax and special assessment liens. In order to establish the value opinion, the three traditional valuation approaches were considered in this appraisal. These include the cost, sales comparison, and income valuation methods where each is applicable to the various land uses. In addition, the income approach includes a developmental or discounted cash flow analysis. The resultant opinion of value is stated "free and clear" of any existing or proposed financing with the exception of the lien of special taxes securing the outstanding CFD bond financing. Vacant land and improved sales were researched in the subject’s market and other relevant markets and the input of buyers, sellers, brokers, property developers and public officials was considered. A physical inspection of the property was made. In addition, the general regional economy as well as the specifics of the subject’s local area was investigated. The extent of the process for the preparation of the appraisal report included the following:

1. Discussions in order to accurately identify the appraisal problem and the objective of the assignment;
2. A preliminary study was conducted in order to determine what information would be required and the sources of the information; i.e., development consultants, title companies, real estate agencies, planning representatives, etc.;
3. General data relating to the subject region, and specific data relating to the immediate subject area and the property itself were then assembled. Sources of this information include the following:
   - Subject property ownership and management personnel
   - Representatives of county government offices
   - Area Chamber of Commerce representatives
   - State government agencies; i.e., population and economic research divisions;
4. An in-depth analysis of the demographic trends in the subject region was conducted. This information is necessary in forming conclusions as to the intermediate and long-term growth prospects and economic stability of the region;
5. A market overview was conducted, with information assembled pertaining to prevailing market conditions affecting real estate similar to the subject within the Lake Tahoe region, as well as on a national basis. In addition, an extensive analysis of the trade area in which the subject operates was performed;

- The property itself was analyzed in terms of the overall economics of the development including, but not limited to, the following:
- Marketability of the proposed product
- Cost of development and construction

6. Information was assembled in regard to the sales of similar land parcels considered useful in the determination of land value for the subject, as follows:
   - Principals involved in the transactions
   - County records
   - Representatives of local real estate agencies
   - Local real estate appraisers
7. The subject property and, where possible, the comparable properties were physically inspected, with pertinent differences noted. In addition, the appraisers have delineated the market boundaries of the subject and visited the major thoroughfares in order to analyze the land use characteristics of the surrounding area;
8. Based on the market data gathered, an opinion is formulated as to the highest and best use of the subject property both as if vacant and as improved;
9. The results of the various valuation approaches utilized are examined, and a reconciliation, or correlation of final value concluded.

The data have been thoroughly analyzed and confirmed with sources believed to be reliable, leading to the value conclusions in this report. The valuation process used generally accepted market-derived methods and procedures appropriate to the assignment.

DEFINITIONS OF VALUE, INTEREST APPRAISED AND OTHER TERMS

The following definitions of pertinent terms are taken from *The Dictionary of Real Estate Appraisal*, Fourth Edition (2002), published by the Appraisal Institute, as well as other sources.

Market Value

Market value is one of the central concepts of the appraisal practice. Market value is differentiated from other types of value in that it is created by the collective patterns of the market. A current economic definition agreed upon by agencies that regulate federal financial institutions in the United States of America follows, taken from Advisory Opinion-22 of *USPAP* of The Appraisal Foundation:

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in US 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."

The intent of the above definition is considered similar to the market value defined in the CDIAC guidelines published in 1994 and updated July 2004. The above definition is employed as the applicable definition of market value in this appraisal as it is most widely accepted. The CDIAC definition of market value is as follows:

"the most probable price in cash or in terms equivalent to cash for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."

As stated, we consider both definitions of market value to be consistent with similar intent. However, only one definition can be applicable and thus we have utilized the definition promulgated by the Appraisal Foundation.

The CDIAC guidelines distinguish value further by noting the difference between retail value and bulk value. These are defined as follows:

Retail Value

"***Retail value*** is defined as the price an end user, namely a homebuyer or business owner, would pay for a home or completed building under the conditions requisite to a fair sale."

Bulk Sale Value

"Bulk sale value is the most probable price, in a competitive market, for the sale of all parcels within a tract or development project, to a single purchaser or to multiple buyers, discounted to present value. The bulk sale value reflects the necessary time to sell the land (the absorption period), the cost of developing the land, and the developer's profit from the project."

We have estimated retail value herein for finished product including, attached residential dwellings, fractional condominiums and townhomes. These retail values were employed in the discounted cash flow analysis to estimate the bulk value. The final value conclusions stated herein represent the retail values for all developed property which has been sold to an end user and bulk value conclusions for each component of the subject which is still undeveloped and not yet platted. Although under common ownership, it was necessary to value the residential and commercial (non-residential) components separately. As all the appropriate discounts and deductions have been applied consistently to each component based on its timing of development, it is appropriate to aggregate them into a total bulk value of the subject.

Assessed Value

We have defined assessed value as the value assigned to a property by the county assessing authority for the purposes of property taxation.

IDENTIFICATION OF PROPERTY

Common Property Name:	Northstar Community Facilities District
Location:	The subject property parcels are located on either Northstar Drive or Mountainside View Road in the Northstar California master planned community south of the town of Truckee, Placer County, California 96161
Assessor's Parcel Numbers:	Numerous assessor parcel numbers exist for the subject and will be detailed herein.
Legal Description:	The legal description is presented in the Addenda of the report.

PROPERTY OWNERSHIP AND RECENT HISTORY

Current Ownership:	Numerous Property Owners will be detailed herein.
Sale History:	Northstar at Tahoe is a large master planned community which was initially developed in the 1970's. The remaining development land in the project was acquired by East West Resorts. In 2005 East West Resorts received development approvals from Placer County for a 1,800 unit master plan community. Development commenced and strong sales were experienced in the Village at Northstar until the market decline in 2007. In February 2010 the developer declared bankruptcy. The bankruptcy was the result of the downturn in the market as well as complications created by a larger default by the developer's equity partner, Morgan Stanley, on a financing facility with Barclay's Bank. The developer emerged from bankruptcy in July 2010 and has since been developing and marketing product. In our opinion it is significant that the original developer is still in place with the same development plan. This is not true of most master planned resort communities which suffered bankruptcy in the down market.
Current Disposition:	To the best of our knowledge, the property is not under contract of sale nor is it being marketed for sale. As mentioned above there are various projects at Northstar which are currently experiencing market activity with on-going sales and marketing efforts. The existing pricing and marketing of these projects will be discussed in detail herein. There are no plans reported to market the property in bulk.

DATES OF INSPECTION AND VALUATION

Effective Date(s) of Valuation:	
As Is:	June 1, 2014
Date of Inspection:	May 23, 2014
Property Inspected by:	Christopher T. Donaldson, MAI, CCIM

CLIENT, INTENDED USE AND USERS OF THE APPRAISAL

Client:	Northstar Community Services District
Intended Use:	This appraisal is intended to report the current assessed value of all developed property and provide an opinion of the Market Value of the Fee Simple interest in the undeveloped property, subject to special tax and special assessment liens, in connection with Special Tax Refunding Bonds which were used to develop public infrastructure in the Northstar CSD. These refunding bonds are to be sold publicly on the open market. This report is not intended for any other use.
Intended User:	This appraisal report was prepared for the exclusive use of Northstar Community Services District. We understand the District is authorized and permitted to use the appraisal in the preliminary and final official statements of a bond offering and the appraisal will be made publicly available through the official offering. It may not be distributed to or relied upon by other persons or entities without written consent and permission of Cushman & Wakefield of Colorado, Inc

EXTRAORDINARY ASSUMPTIONS

- The report, analysis and conclusions stated herein rely heavily upon information provided by others, including the district, the developers and other consultants involved in the project. The reliability of our conclusions is directly related to the accuracy and reasonableness of the information we have been provided.
- Our analysis specifically assumes final plat maps will be granted for the various land areas to be platted with individual units.
- For the purposes of reporting value of the developed and sold units we have utilized the assessed values assigned by the Placer County Assessor. This is consistent with the appraisal guidelines of the CDIAC and the agreed to Scope of Work with the client. Assessed values do not necessarily reflect “market value”.
- We were provided with the size of existing and prospective units and planned density by the owner/developer. We assume that the development will, in large part, remain true to the project as related to the appraisers in terms of unit sizing, placement, pricing, and amenities. We acknowledge that there may be future market fluctuations that may necessitate some changes in plans in order to maximize profitability.
- Because of the economic size of the subject, this analysis assumes that the developer is capable of constructing master planned communities of this type and has the financial capabilities for complete community build-out.
- The value estimates are dependent upon completion of construction of the planned improvements (e.g. infrastructure, amenities) in a timely, workmanlike manner and in substantial conformance with the information provided to the appraisers.
- It is assumed that prudent management and aggressive regional marketing will be implemented during all phases of the sellout of the community.
- Our financial analysis is based on estimates and assumptions that were developed in connection with this appraisal engagement. It is, however, inevitable that some assumptions will not materialize

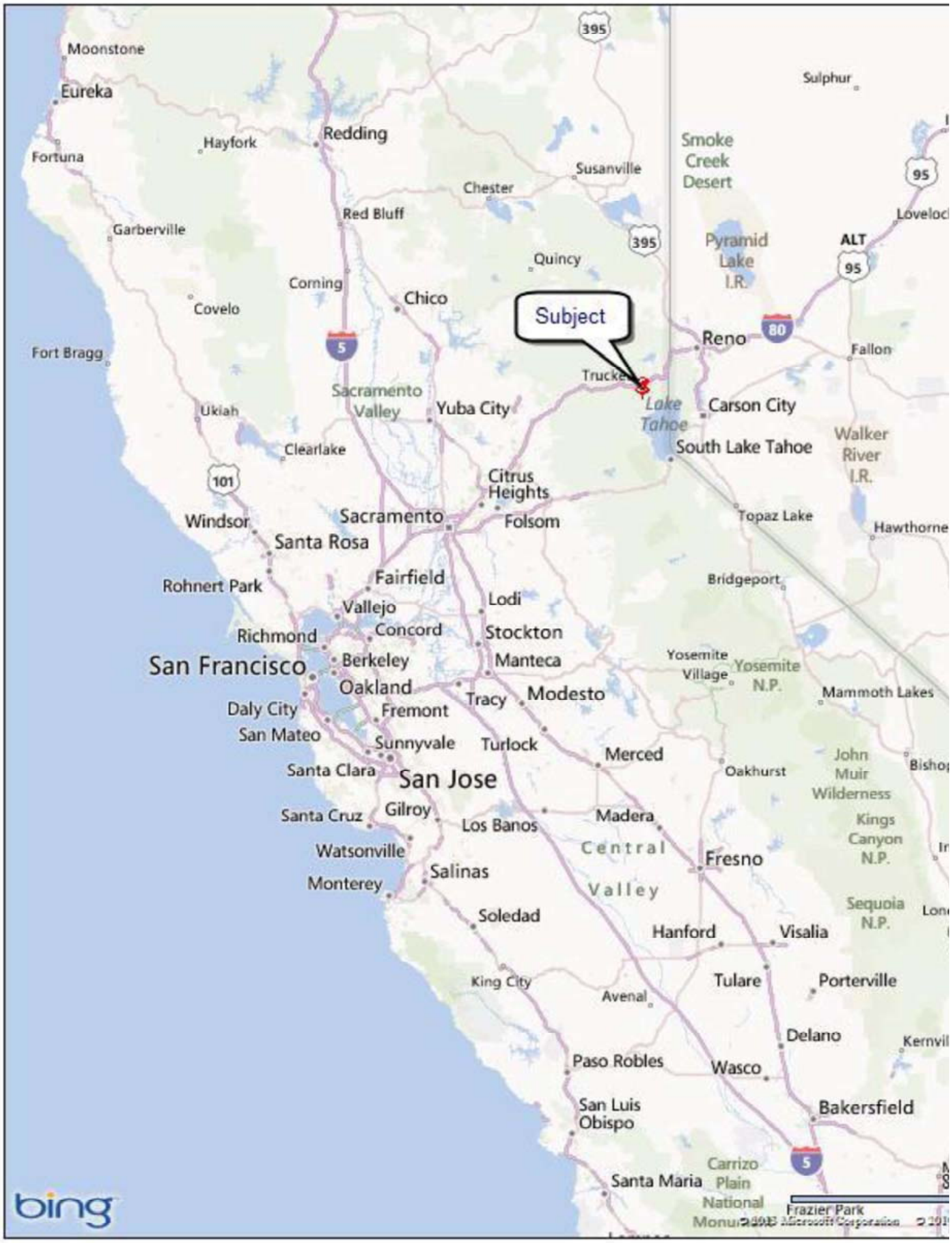
and that unanticipated events may occur which will cause actual achieved operating results to differ from the financial analyses contained in this report, and these differences may be material. It should be further noted that we are not responsible for the effectiveness of future management and marketing efforts upon which the projected results contained in this report may depend.

HYPOTHETICAL CONDITIONS

This appraisal does not employ any hypothetical conditions.

Regional Analysis

REGIONAL MAP



SAN FRANCISCO REGIONAL ANALYSIS

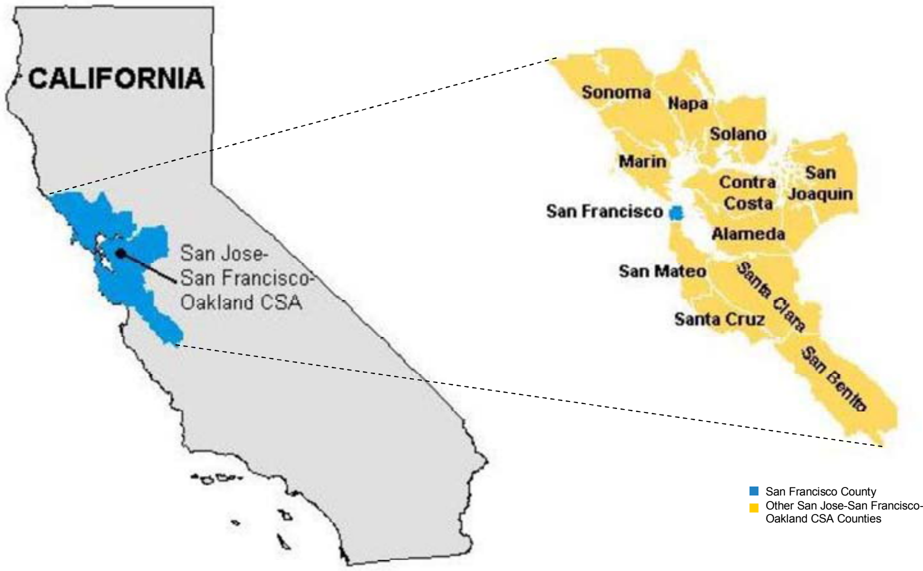
MARKET DEFINITION

The City and County of San Francisco (San Francisco) encompasses 47 square miles at the northern tip of the San Francisco Peninsula. San Francisco is the central city within the greater San Jose-San Francisco-Oakland Combined Statistical Area (CSA), which includes the Metropolitan Statistical Areas (MSAs) of San Francisco-Oakland-Fremont (San Francisco-San Mateo-Redwood City Metropolitan Division (comprised of San Francisco, San Mateo and Marin Counties), and Oakland-Fremont-Hayward Metropolitan Division (comprised of Contra Costa and Alameda Counties), San Jose-Sunnyvale-Santa Clara (Santa Clara and San Benito Counties), Santa Cruz-Watsonville (Santa Cruz County), Santa Rosa-Petaluma (Sonoma County), Napa (Napa County) and Vallejo-Fairfield (Solano County).

The following are notable points about the San Francisco region:

- San Francisco benefits from a highly skilled labor force and a concentration of leading universities.
- An expanding global economy has created potential demand for San Francisco's manufacturing and service industries; however, the globally oriented metro is vulnerable to U.S. and global economic uncertainty.
- The travel and tourism industry is a prominent economic sector in the region, and has been regaining strength since the recession. The surging tech industry and an increase in international tourists bodes well for San Francisco's visitor-dependent industries.
- Internet and technology services companies, as well as international trade, have helped to establish the region as a leading economic growth center, regaining strength as the economic recovery continues.
- Among its weaknesses, both the high cost of living in the metropolitan's division—49.0 percent above the U.S. average—and the cost of doing business, 18.0 percent greater than the U.S. overall, are factors in economic growth.

SAN JOSE-SAN FRANCISCO-OAKLAND, CA
COMBINED STATISTICAL AREA (CSA)



Source: Claritas, Inc., Cushman & Wakefield Valuation & Advisory

CURRENT TRENDS

San Francisco's economy continues to be one of the strongest in the nation, bolstered by technology companies, rising incomes, and an influx of visitors. Healthy employment growth occurred in professional and business services, visitor-dependent industries, and construction, year-over-year. In February 2014, the unemployment rate was 5.1 percent. The rate is the lowest among California's major metro areas, and is well below the national rate of 6.7 percent and the California unemployment rate of 8.0 percent, signaling the advanced stage of San Francisco's recovery. This trend is expected to continue with healthy employment growth forecast through the next few years.

Further considerations are as follows:

- Technology and internet companies continue to be a large contributor to region's economy. Moody's Analytics recently noted, "Tech services will be a major driver for San Francisco's near- to medium-term outlook. In addition to burgeoning homegrown social media and application firms, a number of out-of-state companies are setting up e-commerce and IT shops in the metro division."
- Evidence of the still-positive tech outlook can be seen in San Francisco's office market, which is one of the strongest in the nation. According to Cushman & Wakefield's December 2013 global office forecast for 2014-2015, San Francisco is in the midst of a building boom, with over 2.4 million square feet of new space coming to market by year-end 2015. Demand is expected to keep pace, resulting in only a slight increase in vacancy. Rent growth is forecast to be robust, averaging 7.6 percent per year.
- Tourism related industries will continue to benefit the region's economy. According to Moody's Analytics current San Francisco report, "A legacy of the America's Cup will help to boost visits and San Francisco's tourism infrastructure. A pier used in the competition is being converted into a

passenger cruise terminal, allowing more cruise ships to make visits. Cruise lines estimate that passenger visits to San Francisco will increase by more than 25.0 percent in 2014 to 265,000."

DEMOGRAPHIC TRENDS

DEMOGRAPHIC CHARACTERISTICS

San Francisco is a desirable yet expensive place to live and is populated by an older-than-average population. When compared to the U.S., San Francisco differs in demographic aspects relative to income and education levels. Because of its concentration of leading universities, the region is a center of innovation and high-tech industries. Alternative energy research is also increasingly evident in the area. It is recognized as one of the most educated areas of the nation.

Further considerations are as follows:

- San Francisco's labor pool is highly skilled and highly compensated. Therefore, it is no surprise that its average annual household income is about 56.0 percent higher than that of the U.S. overall.
- San Francisco's 37.1 percent share of households in the $100,000 plus annual income category far exceeds the 19.5 percent share across the United States.
- The population's educational breakdown follows a similar pattern to incomes; 51.0 percent of San Francisco's population has either a bachelor or a graduate degree, compared to only 28.1 percent of the population of the United States.

The following chart compares the demographic characteristics of San Francisco County with the demographic characteristics of the U.S.:

Demographic Characteristics
San Francisco County vs. United States
2013 Estimates

Characteristic	San Francisco County	United States
Median Age (years)	39.0	37.0
Average Annual Household Income	$108,274	$69,636
Median Annual Household Income	$72,497	$49,231
Households by Annual Income Level:		
<$25,000	21.6%	25.4%
$25,000 to $49,999	16.1%	25.3%
$50,000 to $74,999	13.6%	18.1%
$75,000 to $99,999	11.7%	11.7%
$100,000 plus	37.1%	19.5%
Education Breakdown:		
< High School	14.3%	14.6%
High School Graduate	14.1%	28.4%
College < Bachelor Degree	20.6%	28.9%
Bachelor Degree	31.3%	17.7%
Advanced Degree	19.7%	10.4%

Source: Claritas, Inc., Cushman & Wakefield Valuation & Advisory

POPULATION

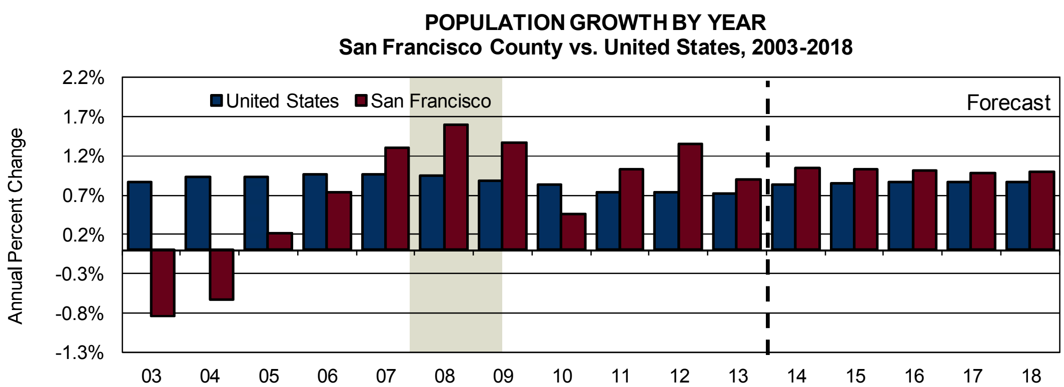
San Francisco County, with a current population of over 0.8 million, significantly lagged the U.S. in terms of population growth the first half of the decade; however, surpassed U.S. growth in 2007 through 2009, fell below the U.S. in 2010, then picked up in 2011 through 2013. Through the forecast period, population is expected to trend closely with, but exceed, the United States. Limited development land, plus higher costs of living and doing business, factor into slower population growth in the region.

However, over the long term, the region is expected to continue to attract highly educated workers due to its strong technology and innovation industries. San Francisco offers the walkability, transit access, vibrancy, and urban living that are attractive to a growing number of tech professionals. Another lure is the Bay Area's desirable amenities and lifestyles.

Further highlights are as follows:

- San Francisco's average annual growth rate between 2003 and 2013 of just 0.8 percent was just below the 0.9 percent average annual growth for the U.S.
- Through 2018, San Francisco's population is forecast to grow an average of 1.0 percent annually, close to the projected growth rate of 0.9 percent for the United States.
- San Francisco is effectively built-out and the population will not increase until higher density developments are completed and occupied. Moody's Analytics reported that according to Polaris Pacific, 8,000 multi-family units are expected to be built by the end of 2015.

The following graph compares historical and projected population growth between San Francisco County and the U.S. as a whole:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession

In stark contrast to San Francisco, population growth within the Bay Area has been strongest in Contra Costa County, where there is more developable land, relatively lower construction costs, and somewhat less anti-growth sentiment than in the more urbanized Bay Area counties.

The following table shows the region's annualized population growth by County:

Annualized Population Growth by County San Francisco County vs. San Jose-San Francisco-Oakland CSA Counties 2003-2018						
Population (000's)	**2003**	**2013**	**Forecast 2014**	**Forecast 2018**	**Compound Annual Growth Rate 03-13**	**Compound Annual Growth Rate 14-18**
United States	290,107.9	316,128.9	318,745.7	329,876.7	0.9%	0.9%
San Jose-San Francisco-Oakland CSA	7,122.8	7,702.5	7,757.0	8,007.7	0.8%	0.8%
Santa Clara County	1,663.6	1,843.1	1,853.6	1,905.1	1.0%	0.7%
Alameda County	1,454.2	1,561.2	1,572.1	1,622.3	0.7%	0.8%
Contra Costa County	987.5	1,084.3	1,092.3	1,128.6	0.9%	0.8%
San Francisco County	**766.2**	**832.4**	**841.1**	**875.5**	**0.8%**	1.0%
San Mateo County	693.1	744.1	751.5	783.7	0.7%	1.1%
Sonoma County	466.5	494.4	498.7	516.0	0.6%	0.9%
Solano County	408.4	422.3	424.0	436.0	0.3%	0.7%
Santa Cruz County	253.0	267.8	268.6	273.9	0.6%	0.5%
Marin County	245.1	257.0	258.7	265.4	0.5%	0.6%
Napa County	130.1	139.2	139.7	143.5	0.7%	0.7%
San Benito County	55.2	56.7	56.7	57.5	0.3%	0.4%

Source: Data Courtesy of Moody's Analytics, Cushman & Wakefield Valuation & Advisory

HOUSEHOLDS

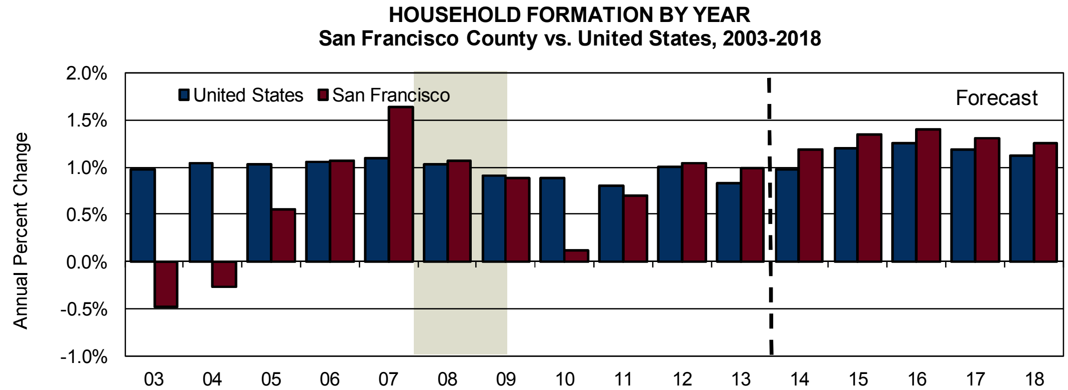
Over the past decade, household formation trends in San Francisco County matched overall population growth. Although household growth slowed during the recession, it is expected to pick-up and exceed population growth levels in 2014 through 2018.

Trends in household formation can result from sociological factors such as longer life expectancies, increasing divorce rates, and young professionals postponing marriage.

Further considerations are as follows:

- Between 2003 and 2013, the region saw total households increase by an average annual rate of 0.8 percent; population growth of 0.8 percent was indicated over the same time period. Similarly, over the past decade the U.S. saw total households increase at an average annual rate of 1.2 percent, also slightly above population growth of 0.9 percent.
- Over the forecast period, household formations are expected to increase in the U.S. and in San Francisco County. The region is projected to see average annual household growth of 1.3 percent, exceeding the average annual projected rate of population growth of 1.0 percent. The forecasted U.S. household growth figure is also 1.2 percent, above the forecast 0.9 percent annual population growth.

The following graph compares historical and projected population growth between the San Francisco County and the U.S. as a whole:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession

ECONOMIC TRENDS

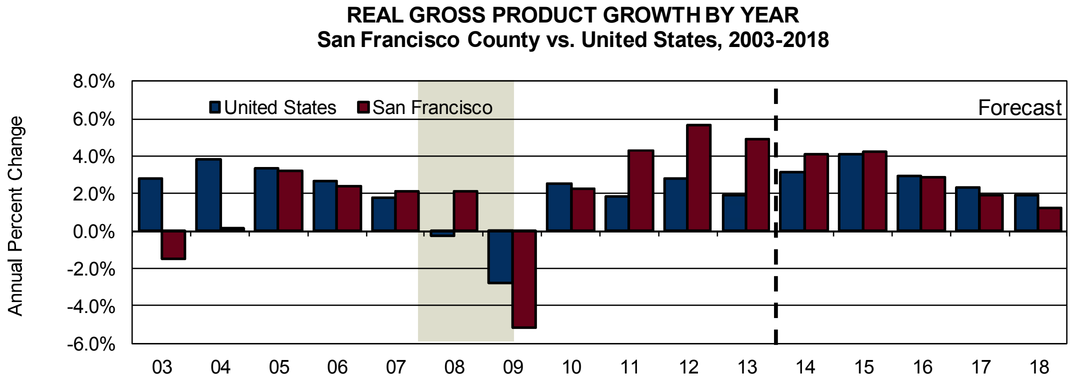
GROSS METRO PRODUCT

Gross Metropolitan Product (GMP) is defined as the market value of all final goods and services produced within a metropolitan area in a given period of time, and is one measure of the economy of a metro area. Relative to the stronger gains posted from 2005 through 2008, growth in San Francisco's GMP stalled in 2009, posting negative GMP of 5.1 percent. However, between 2010 and 2013, San Francisco's GMP was strong, averaging 4.3 percent, exceeding the U.S. average growth of 2.3 during that time. According to Moody's Analytics, San Francisco's GMP is expected to grow 4.1 percent in 2014, above the forecasted growth of 3.1 percent for the U.S.

Further considerations are as follows:

- Between 2003 and 2013, the region posted 2.2 percent annual growth in GMP, while the U.S. GMP average annual growth was 1.7 percent.
- Looking forward through 2018, the county's gross product is forecast to average annual growth of 2.6 percent, below the 2.8 percent growth rate that is projected for the United States.

The following graph compares historical and projected real gross product growth by year for San Francisco County and the U.S. as a whole:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession

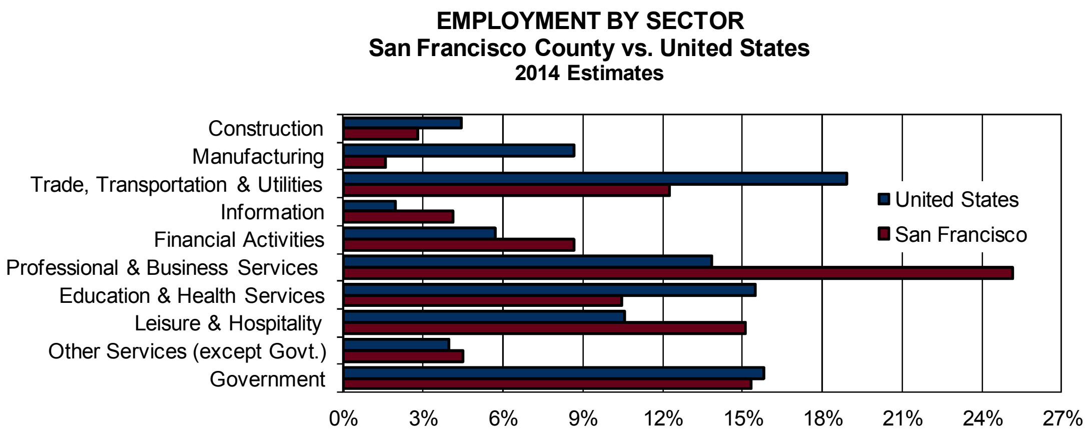
EMPLOYMENT DISTRIBUTION

San Francisco's economy is relatively diverse, but it remains sensitive to the health of its business services, technology and tourism sectors, which have fared very well since 2012 and are expected to continue. The most prominent employment sector in the region, Professional and Business Services, accounts for 25.1 percent of employment, compared to 13.8 percent for the U.S. Leisure and Hospitality employment, another dominant sector, which accounts for 15.1 percent of all employment within San Francisco, compared to 10.6 percent for the nation. Education and Health Services, and Financial Services also bear employment weight in the region, accounting for 10.5 percent and 8.7 percent of jobs, respectively.

Further considerations are as follows:

- Relative to the U.S., San Francisco has similar shares of employment in Government, which accounts for 15.3 percent of the jobs, close to the U.S. average Government employment of 15.8 percent. Other Services also has similar shares with 4.5 percent of jobs in San Francisco versus 4.0 percent for the U.S.
- When compared to the U.S., the region is less weighted in Trade, Transportation and Utilities, Manufacturing and Construction.

The following graph compares non-farm employment sectors for San Francisco County and the U.S. as a whole:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory

MAJOR EMPLOYERS

San Francisco is home to seven of the nation's *Fortune 500* corporations in 2013: McKesson Corporation (ranked 14), Wells Fargo & Company (25), Gap, Inc. (179), PG&E Corporation (183), URS (248), Visa (260), and Charles Schwab Corporation (488).

The following table lists San Francisco's largest employers:

Largest Employers
San Francisco County, CA

Company	No. of Employees	Business Type
University of California, San Francisco	22,500	Education & Healthcare
Genetech	8,800	Technology
Wells Fargo & Co.	8,300	Finance
Kaiser Permanente	7,400	Healthcare
California Pacific Medical Center	6,200	Healthcare
Gap, Inc.	6,000	Retail
PG&E Corp.	4,300	Utilities
University of San Francisco	3,500	Education
Charles Schwab Corp.	2,600	Finance
Salesforce	2,500	Technology

Source: Moody's Analytics & Cushman & Wakefield Valuation & Advisory

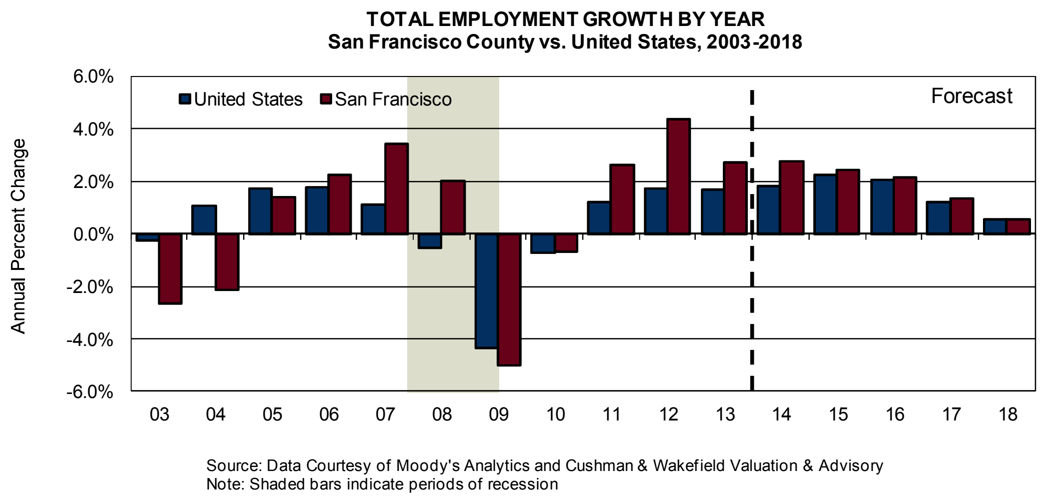
EMPLOYMENT GROWTH

In San Francisco, like most cities in the nation, some industries are doing better than others, and jobs are still available for those with the right set of skills. Many startups and relatively young companies are finding themselves in growth mode. Driven by social media and mobile startups, money is flowing into the city's tech industry again. As noted by the current Moody Analytics' San Francisco region report, "Technology industries will grow at a healthy pace in 2014, contributing a major component of the metro division's expansion. The pace of tech-producing output will increase from 2013." Currently, employment growth in San Francisco has picked up considerably with Construction, Professional and Business Services and Construction leading the way with year-over job gains of 11.3, 5.3, and 4.1, respectively, percent between February 2013 and February 2014. These sectors are expected to continue to lead the recovery in the region.

Further considerations are as follows:

- Between 2003 and 2013, San Francisco County's total non-farm employment grew at an average annual rate of 1.1 percent, compared to the nation's rate of employment growth of 0.5 percent over the same time period.
- The region's employment is forecast to grow at an annual average rate of 1.6 percent from 2014 to 2018, close to the 1.5 percent employment growth forecast for the United States. San Francisco's total employment is forecast to peak in 2014.

The following graph illustrates total non-farm employment growth per year, for San Francisco County and the U.S.:



UNEMPLOYMENT

San Francisco's unemployment rate has closely mirrored trends in the U.S. over the past decade; however, has fallen sharply and is below the U.S. rate since 2011. The region's unemployment rate exceeded the nation's rate following the national recession in 2001, but dropped below the U.S. rate during the more prosperous economic period from 2005 through the first half of 2008. As the recession deepened, unemployment rose, peaking at 9.6 percent in 2010. During the forecast period, San Francisco's unemployment is expected to be well below California, and trend significantly below the U.S. through 2016.

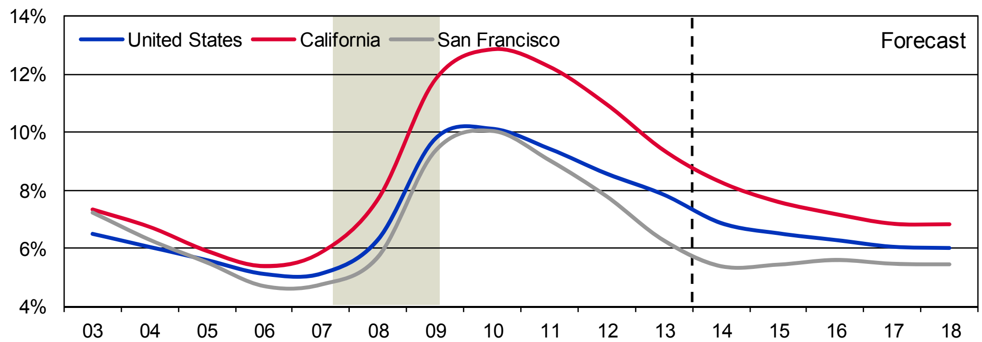
Further considerations are as follows:

- Between 2003 and 2013, the region's average unemployment rate ranged from a high of 9.6 percent in 2010 to a low of 4.2 in 2006. Overall, over the past ten years, San Francisco has posted average unemployment of 6.5 percent, slightly below the U.S. average unemployment of 6.9 percent over the same period. During the forecast period, San Francisco is expected to have average unemployment of 5.0 percent, below the U.S. average unemployment forecast of 5.9 percent.
- According to the Bureau of Labor Statistics, San Francisco County recorded unemployment of 5.1 percent in February 2014, down 1.0 percentage point from 6.1 percent in February 2013. Nationally,

unemployment is higher than the region at 6.7 percent. Both are lower than the California state unemployment rate of 8.0 percent during the same period.

The following graph compares historical and projected unemployment levels for the San Francisco County, the state of California, and the U.S. as a whole:

UNEMPLOYMENT RATE BY YEAR
San Francisco County vs. California vs. United States, 2003-2018



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession

CONCLUSION

The San Francisco economy continues to rebound and is one of the strongest in the nation. San Francisco serves as an international center for trade and sits among the global focal points of the rapidly developing international economies in IT, digital media, clean tech and life sciences.

Additional factors follow:

- The region's expanding tech industry has helped strengthen San Francisco's economic recovery. A permanent change to the City of San Francisco's payroll tax will help to reduce the outflow of growing tech firms. Voters in November 2012 replaced the tax, the only one of its kind in California, with a tax on gross receipts. The new tax policy will help to retain and attract startup tech firms in their cash-poor IPO phases.
- San Francisco will benefit from top export markets in the near-term. As noted by Moody's Analytics, "The pace of growth for Mexico and Canada, the San Francisco-Oakland area's top two export markets, will strengthen in 2014 in tandem with a deepening U.S. recovery. China's GDP growth will gradually slow but, at more than 7%, the flow of Chinese tourists and investors into San Francisco should grow."
- San Francisco is leading a trend of population growth in major cities that is outpacing that of suburbs for the first time in decades. Although the high cost of living and doing business in the region does have an impact on potential growth, increased economic performance is still anticipated over the long term.

SACRAMENTO REGIONAL ANALYSIS

INTRODUCTION

MARKET DEFINITION

The Sacramento-Arden-Arcade-Roseville Metropolitan Statistical Area (Sacramento MSA) consists of four counties in north-central California, Sacramento, El Dorado, Placer, and Yolo Counties. The region sits at the northern end of California's Central Valley and extends from the eastern edge of the San Francisco Bay Area to the Nevada border at Lake Tahoe. The City of Sacramento is the largest incorporated area within the Sacramento MSA and is the capital of California.

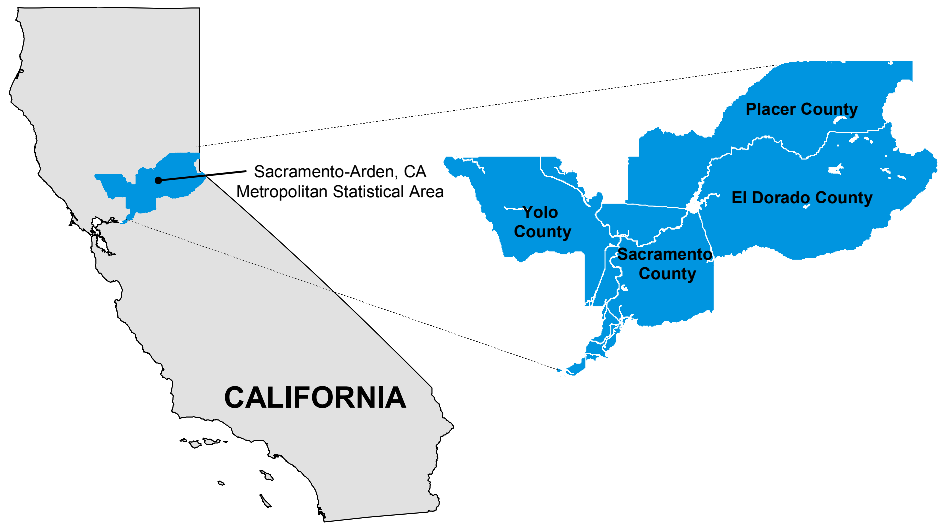
The city is located along the Sacramento River and south of the American River's confluence in California's expansive Central Valley. The Sacramento MSA is the largest in the Central Valley, and the fourth largest in California. Sacramento is the economic and cultural core of the four- county metropolitan area.

The following are notable points about the Sacramento MSA:

- The Sacramento region has a welcoming business climate, an abundant and educated workforce from its world-class research and educational institutions, relatively low housing costs compared to the Bay Area, and excellent schools. It is located short drives away from world-famous destinations such as the Pacific Ocean, Napa Valley, Lake Tahoe, and Sierra Nevada Mountains, 75 miles east of San Francisco and 375 miles north of Los Angeles.
- The region has experienced strong population gains and steady job growth in the last few decades, attributed primarily to the migration of residents from other California and U.S. urban areas. Upon greater economic recovery, the region is forecast to continue stronger growth. The diversification and strength of the region's economic base, with a shift from primarily government employment to private sector employment, will aid in the region's growth.

The following map illustrates the four-county region that constitutes the Sacramento Metropolitan Statistical Area:

SACRAMENTO-ARDEN, CA
METROPOLITAN STATISTICAL AREA (MSA)



Source: Claritas, Inc., Cushman & Wakefield Valuation & Advisory

CURRENT TRENDS

The Sacramento region's labor market and economy continued to improve modestly in 2013, showing gains in business, healthcare and state government spending. While conditions have shown progress, regional economists expect tepid growth in 2014. According to the current Sacramento Reis Observer, "Improvement in the housing market and stabilization in the local government sector, warnings of slower growth notwithstanding, are welcome developments. Still, without a strong growth driver, the local economy has a long way to go before pre-recession employment levels may again be seen."

Further considerations are as follows:

- The region's government sector, even after dwindling through spending cuts and layoffs in recent years, still accounts for nearly 26.5 percent of the local labor market in 2013. Labor statistics at year-end 2013 indicated moderate positive growth in the government sector since mid-year, which is a sign that budget challenges are being alleviated, aiding this dominant sector and the Sacramento economy going forward.
- The Sacramento housing market continues to strengthen, however, rising interest rates impacted the pace of improvement for the real estate market in the second half of 2013. As noted by Moody's Analytics in their current Sacramento metro report, "More recently, house price appreciation over the last year has been among the highest in the West and the U.S. Low prices drew in both first-time buyers and investors. However, the recent increase in mortgage rates by a percentage point stymied some price-sensitive buyers. The lull will be short-lived as job growth quickens in 2014 and household formation spurs new construction."
- The region's commercial real estate market continues to stabilize. Overall, the region experienced the first year of measurable growth in 2013 in many sectors since the market collapse began in 2007. The commercial real estate market recovery is underway, but it still has a long way to go.

- Proposal of a downtown arena for the Sacramento Kings and subsequent efforts to have it built are ongoing. If built, the arena would be an important shot in the arm for the region, as it would likely draw new retail, apartments and mixed-use projects to the city and revitalizing the downtown district.

DEMOGRAPHIC TRENDS

DEMOGRAPHIC CHARACTERISTICS

Sacramento's demographic traits show an area that has experienced strong population and steady job growth in the last few decades. Although both slowed as a result of the great recession, the region offers a welcoming business climate, an educated workforce from its world-class research and educational institutions, relatively low housing costs compared to other California regions, and diversification and strength of the region's economic base.

Further considerations are as follows:

- With a median age of 36.0 years, Sacramento is a slightly younger market compared to the U.S. median age of 37.0 years.
- Income levels in Sacramento are marginally higher than the U.S., and the average household income in Sacramento is roughly $5,600 per year higher than the average annual household income for the U.S. Median household income levels in Sacramento are also considerably higher than the rest of the U.S., at about $57,000 per year, or about 15.0 percent greater than the U.S. figure.
- In terms of education, the region has a higher proportion of residents with some college experience; 36.0 percent of Sacramento's population has at least some college experience versus 29.0 percent for the U.S. Sacramento slightly surpasses the U.S. in higher education, with nearly 30.0 percent of its population having a Bachelor degree or better, compared to 28.0 percent for the U.S.

The following chart compares the demographic characteristics of the Sacramento CBSA with the demographic characteristics of the U.S.:

Demographic Characteristics
Sacramento MSA vs. United States
2013 Estimates

Characteristic	Sacramento MSA	United States
Median Age (years)	36.0	37.0
Average Annual Household Income	$75,239	$69,636
Median Annual Household Income	$56,681	$49,231
Households by Annual Income Level:		
<$25,000	20.8%	25.4%
$25,000 to $49,999	23.7%	25.3%
$50,000 to $74,999	18.8%	18.1%
$75,000 to $99,999	13.1%	11.7%
$100,000 plus	23.6%	19.5%
Education Breakdown:		
< High School	12.9%	14.6%
High School Graduate	21.3%	28.4%
College < Bachelor Degree	36.2%	28.9%
Bachelor Degree	19.6%	17.7%
Advanced Degree	9.9%	10.4%

Source: Claritas, Inc., Cushman & Wakefield Valuation & Advisory

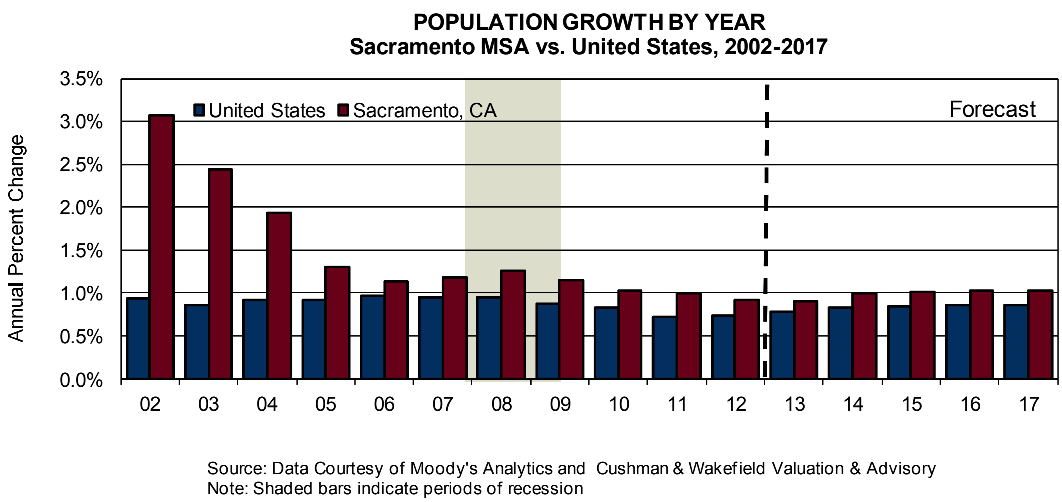
POPULATION

With a unique mix of economic opportunities for companies and job seekers, and rebounding housing affordability, many people and businesses moved to the Sacramento region. Over the last ten years, population growth in the region has yearly exceeded the U.S., however slowed significantly beginning in 2005 as the economy weakened. The region's population growth is forecast to continue to modestly exceed growth in the U.S. over the next five years. According to the Census Bureau, in 2011 the population of the U.S. grew at its slowest rate since the 1940s as the gloomy economy continued to depress births, and immigration fell to its lowest level since 1991. Sacramento population in 2014 is projected to grow by 1.0 percent.

Further considerations are as follows:

- The Sacramento MSA, with a current population of approximately 2.2 million, grew at an average annual rate of 1.3 percent between 2002 and 2012. By comparison, the population of the U.S. grew at an average rate at 0.9 percent per year.
- Between 2013 and 2017, the population in Sacramento is expected to grow by 1.0 percent annually, compared to an average annual growth rate of 0.9 percent for the U.S. over the same time period.

The following graph compares historical and projected population growth between the Sacramento MSA and U.S. as a whole:



Housing more than two-thirds of the region's population, Sacramento County has by far the highest concentration of the metropolitan area's residents. Sacramento County is also the most built out of the four counties in the MSA, thus faster growth has occurred in outlying counties. Placer County's population grew at a healthy 2.7 percent annually over the past decade resulting in a total increase of 31.0 percent from 2002 to 2012. Placer is expected to maintain its position as the fastest growing county in the region with a projected annual rate of 1.7 percent, nearly double the projected rate for two of the three other counties within the Sacramento area.

The following table shows Sacramento MSA's annualized population growth:

Annualized Population Growth by County
Sacramento MSA
2002-2017

Population (000's)	2002	2012	Forecast 2013	Forecast 2014	Compound Annual Growth Rate 02-12	Compound Annual Growth Rate 13-17
United States	287,625.2	313,914.0	316,378.2	327,302.8	0.9%	0.9%
Sacramento MSA	**1,923.5**	**2,196.5**	**2,216.3**	**2,307.8**	**1.3%**	**1.0%**
El Dorado County	165.2	180.6	181.1	183.3	0.9%	0.3%
Placer County	276.9	361.7	368.1	394.2	2.7%	1.7%
Sacramento County	1,301.1	1,450.1	1,460.7	1,515.3	1.1%	0.9%
Yolo County	180.3	204.1	206.4	214.9	1.2%	1.0%

Source: Data Courtesy of Moody's Analytics, Cushman & Wakefield Valuation & Advisory

HOUSEHOLDS

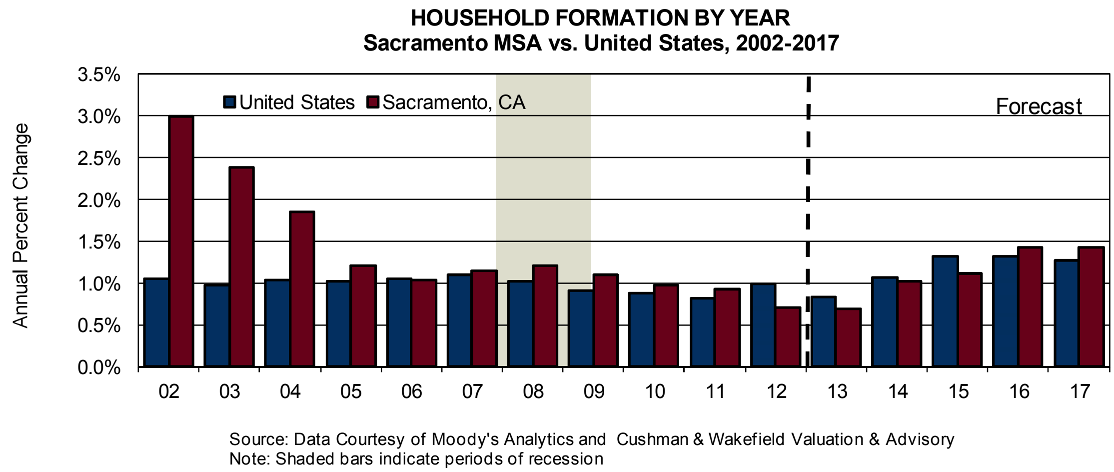
Trends in household formation can result from such sociological factors as longer life expectancies, increasing divorce rates, and young professionals postponing marriage. Lower household growth can result in part to a drop in household headship rates (a measure of the ratio of independent households to population) caused by "doubling up", as some people combined households to save money during difficult financial times or possibly due to loss of their home by foreclosure. As a result of the recession, headship rates declined across all metropolitan areas.

Over the past decade, household formation trends in Sacramento matched overall population growth. Again, the greater affordability for doing business and living compared to the Bay Area fueled this expansion. The Sacramento region saw an influx of almost 259,000 residents from the Bay Area from 1994 to 2004, representing 39.0 percent of total growth. Although a decline in household growth has slowed amid the fallout from the recession, it is expected to moderately exceed population growth levels over the next five-year period.

Further considerations are as follows:

- Between 2002 and 2012, the Sacramento MSA saw total households increase by an average annual rate of 1.3 percent, matching the 1.3 percent population growth indicated over the same time period. Similarly, over the past decade the U.S. saw total households increase at an average annual rate of 1.0 percent, also close to population growth of 0.9 percent.
- Over the five-year period from 2013 through 2017, household formations are expected to increase slightly in the U.S. and in Sacramento. The Sacramento MSA is projected to see average annual household growth of 1.2 percent, close to the average annual projected rate of population growth of 1.0 percent. The comparable U.S. figure is 1.2 percent, also above the forecast 0.9 percent annual population growth.

The following graph compares historical and projected population growth between the Sacramento MSA and U.S. as a whole:



ECONOMIC TRENDS

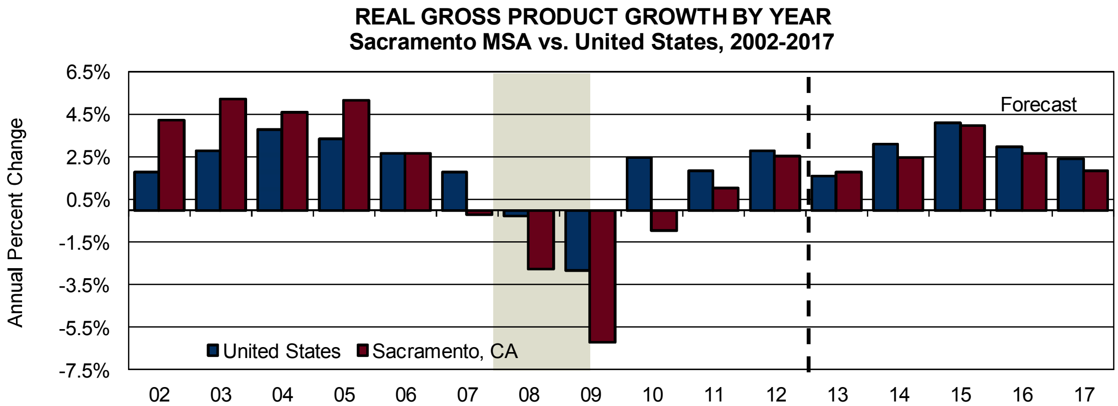
GROSS METRO PRODUCT

Gross Metropolitan Product (GMP) is defined as the market value of all final goods and services produced within a metropolitan area in a given period of time, and is one measure of the economy of a metro area. In general, prosperity is associated with rising GDP, with recession and high unemployment being associated with falling GDP. Growth needs to be 3.0 percent or greater in order for the economy to revive and stimulate job creation. Relative to the strong gains posted from 2002 through 2005, Sacramento's GMP growth has slowed considerably. Between 2007 and 2010, the Sacramento GMP plummeted; reaching its low of negative 6.2 percent by 2009, while the U.S. slipped to negative 2.8 in the same year. Nationally in 2010, however the gross product began to grow, ending the year with 2.5 percent; Sacramento's GMP remained stalled. In 2011, though positive growth was still weak in the U.S. and Sacramento, gross product increased at an annual rate of 1.8 percent and 1.0 percent. In 2012, Sacramento and the nation's gross product grew 2.5 percent and 2.8 percent, the healthiest growth experienced since 2006. Sacramento's growth is expected to be 2.5 percent in 2014, below the U.S. growth estimate of 3.1 percent.

Further considerations are as follows:

- Between 2002 and 2012, the region averaged a 1.0 percent annual growth in GMP, lower than the 1.8 percent average annual growth exhibited by the U.S. over the same time period.
- Between 2013 through 2017, Sacramento's average annual GMP growth rate is projected to increase to 2.7 percent, slightly below the projected rate for the U.S. of 3.1 percent over the same time period.
- Sacramento's two housing-related sectors, Construction and Financial Activities, along with the region's largest sector, Trade, Transportation, and Utilities, contributed measurably to healthy increases in GMP in 2002 to 2005. However, these sectors were hard hit during the recession, and these consumer driven industries recorded the greatest loss to the economy. Going forward, the labor market is expected to continue making slow strides toward recovery.

The following graph compares historical and projected GMP growth by year for the Sacramento MSA and U.S. as a whole:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession

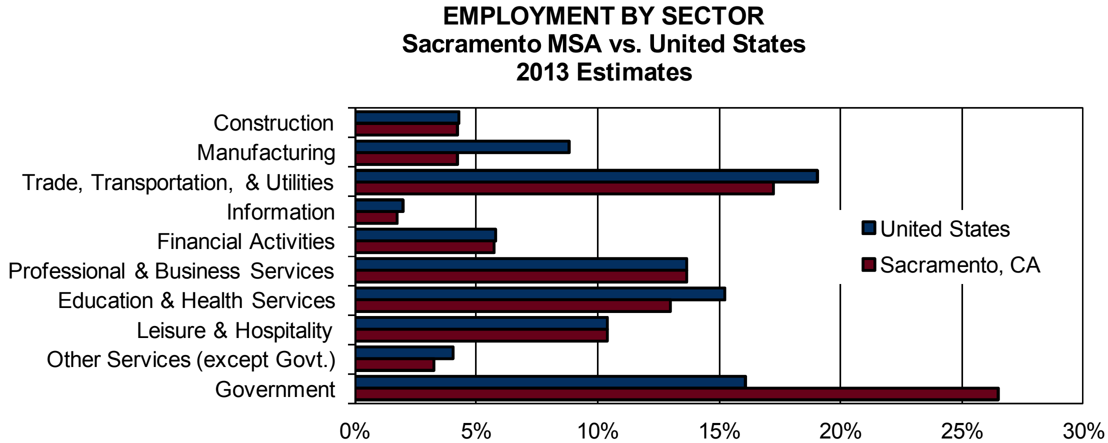
EMPLOYMENT DISTRIBUTION

Sacramento's employment base is one of the most diverse in the nation, and resembles the overall employment base in the U.S. Similar shares of employment are in the Construction, Information, Financial Activities, Professional and Business Services, and Leisure and Hospitality sectors. Government employment in Sacramento greatly surpasses the U.S. average, as the area is the hub for government services as the state's capital.

Further considerations are as follows:

- Construction employment, another dominant sector, matches the U.S. with 4.2 percent of the employment. However, since 2006 due to the poor housing market, commercial real estate slump, and prevailing economic turmoil, this sector experienced negative employment growth until mid-2012. However, the Construction sector is forecast to have the highest level of growth among all sectors in the region at 5.6 percent between 2013 and 2017.
- As noted above, as the state's capital, Sacramento's employment base is more heavily weighted in Government than the U.S.; 26.5 percent versus 16.1 percent, respectively. California's budget problems, which are improving, have had a heavy impact on Sacramento, where state payrolls and wages account for a substantial share of the total economy.
- The Sacramento region is less weighted in Manufacturing, Education and Health Services and Trade, Transportation and Utilities when compared to the U.S. as a whole.

The following graph compares non-farm employment sectors for the Sacramento MSA and U.S. as a whole:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory

MAJOR EMPLOYERS

The economic diversity of Sacramento is further emphasized when examining a list of the region's largest employers. It spans three noted industry sectors and includes Kaiser Permanente, the University of California Davis/UC Davis Health System, Intel, and Wells Fargo.

Current details regarding area employers follow:

- The Sacramento region is becoming a hub for general and specialized healthcare in Northern California and the California Central Valley. The major healthcare providers in the region are among the largest employers. There are several major medical centers within the Sacramento region, operated by healthcare providers such as Kaiser Permanente, UC Davis Health System, Shriners Hospitals for Children, Mercy/Catholic Healthcare West, and Sutter Health System.
- Education and health services employment was one of three sectors that had the greatest growth in 2013. Moody's Analytics noted in the year-end 2013 Sacramento metro report, "Payrolls at the University of California, Cal State and community colleges have already surpassed prerecession levels."

The following table lists the Sacramento MSA's largest private employers, and illustrates the significance of the healthcare industry's employment sector.

Largest Private Employers Sacramento, CA		
Company	No. of Employees	Business Type
Kaiser Permanente	10,100	Healthcare
UC Davis Health System	9,600	Healthcare
Sutter Health Sacramento Sierra Region	9,100	Healthcare
Raley's Inc.	7,300	Retail
Dignity Health	7,100	Healthcare
Intel Corp.	6,500	Technology
Wells Fargo & Co.	3,200	Finance

Source: Moody's Economy.com & Cushman & Wakefield Valuation & Advisory

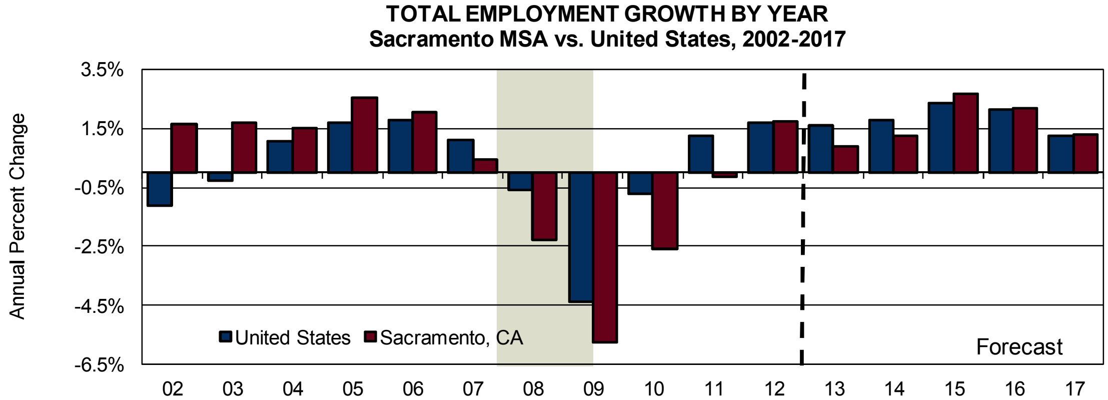
EMPLOYMENT GROWTH

Although total employment growth in the Sacramento MSA ranked higher than the U.S. through 2006, the region's job growth slowed and fell below the U.S. in 2007, when Sacramento started in its own local recession. Employment growth fell sharply over the past four years, falling to its lowest point of negative 5.7 percent in 2009. Employment growth remained negative in 2010 and 2011. In 2012, the region posted positive job growth of 1.7 percent, a first since 2007. Given the severity of the recession, job growth for the region has been slow to recover. Job growth, though moderate, is forecast to be positive, peaking in 2015 and trending closely with U.S. growth through 2017.

Further considerations are as follows:

- In the past decade and during periods of positive national economic conditions, the region exhibited healthy employment growth trends that were well above national averages. However, more severe job losses occurred during the great recession in both the region and the U.S. The U.S. resumed job growth sooner than the Sacramento region.
- From 2002 to 2012, non-farm employment fell in the Sacramento MSA at an average annual rate of negative 0.1 percent, compared to the average annual rate of 0.2 percent exhibited by the U.S. over the same time period.
- Between 2013 through 2017, employment in the Sacramento area is expected to post an average annual increase of 1.8 percent, close to the U.S., which is expected to increase at an average of 1.9 percent annually.

The following graph illustrates total non-farm employment growth per year, for the Sacramento MSA, and the U.S.:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession

UNEMPLOYMENT

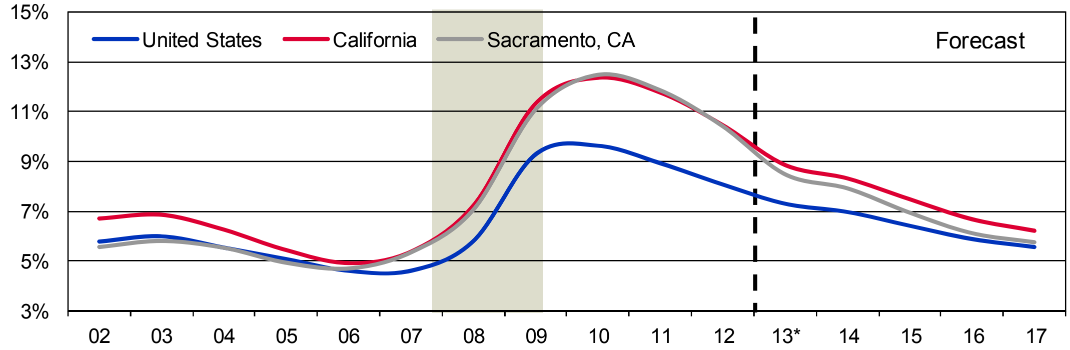
As a result of the recession and like many other regions of the U.S., Sacramento faced its highest unemployment rate since 1992 (8.4 percent) when unemployment reached 12.5 percent in 2010. Since then, unemployment has been slowly declining. Currently, Sacramento unemployment is 8.0 percent, below California's unemployment rate is 8.5 percent. Economists predict unemployment will fluctuate between 7.0 to 8.5 percent during 2014. However, economist Jonathan Lederer of Wells Fargo Bank explained at the annual Sacramento Business Review in January 2014, "Standard unemployment rates understate the actual health of the labor force because they do not include those who have dropped out of the workforce. Factoring those people in raises the region's unemployment rate from 8.0 percent to an estimated 16.0 percent." This factor is a detriment to stronger economic growth.

Further considerations are as follows:

- After several years of positive national economic conditions, and strong employment growth in Sacramento, the region maintained a 4.5 to 5.8 percent average unemployment rate since from 2001 to 2007. Even following the recession in 2001, Sacramento increased its jobless rate slightly, reaching a peak of 5.8 percent in 2003, close to the U.S. average of 6.0 percent.
- As Sacramento slid into recession, the region's and state's unemployment started climbing at year-end 2007 and sharply increased through 2009 and 2010, both greatly surpassing unemployment in the nation. Unemployment in Sacramento and California are forecast to continue downward through 2017.
- Over the forecast period, Sacramento is projected to see an average unemployment rate of roughly 7.0 percent, below the projected California unemployment of 7.5, and above the U.S. unemployment rate of 6.4 percent.
- As indicated in the shaded bar period in the graph below, Sacramento's employment downturn has seen record unemployment levels during and following the great recession with significantly higher jobless levels compared to the 2001 national recession.

The following graph compares historical and projected unemployment levels for the Sacramento MSA, the state of California, and the U.S. as a whole:

UNEMPLOYMENT RATE BY YEAR
Sacramento MSA vs. California vs. United States, 2002-2017



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory
Note: Shaded bars indicate periods of recession
*Third Quarter 2013

CONCLUSION

Sacramento continues its slow recovery, helped by the state capital's improving fiscal conditions. Reis recently noted, "It seems that improvement in the state government picture arrived in the nick of time to stave off what would have been an even weaker overall economic performance." Moody's Analytics predicted in December 2013, "Sacramento's recovery will broaden in 2014 and 2015 as state government finances improve further and housing becomes a larger positive driver."

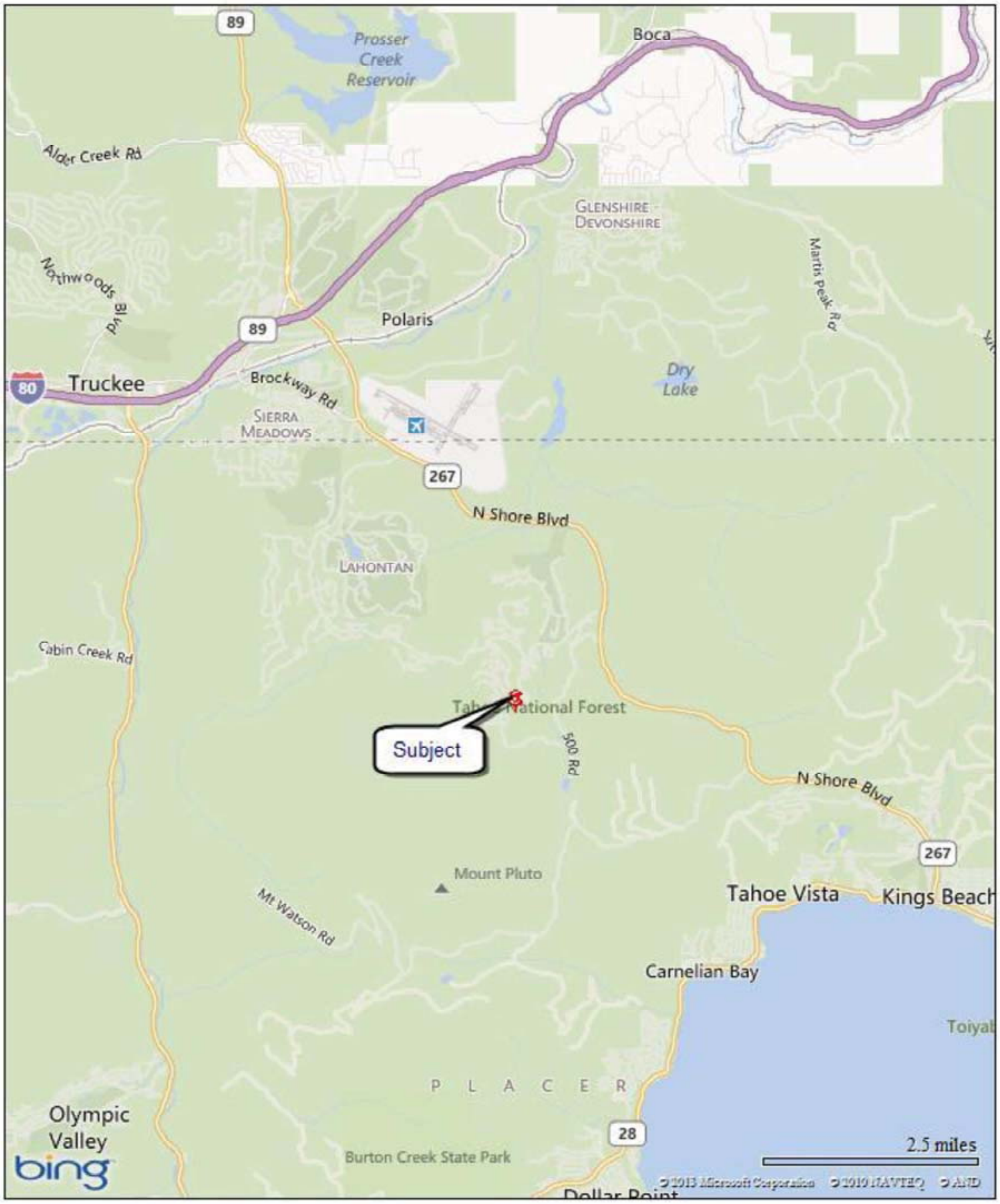
Additional factors follow:

- The region's recovering housing market cooled during the second half of 2013, likely in response to rising interest rates. Home price appreciation slowed as sales fell by more than 20.0 percent from a year ago, according to the California Association of Realtors. Assistant professor, Nuriddin Ikromov, from the College of Business Administration at California State University Sacramento, predicted home prices would rise 5.0 to 7.0 percent in 2014, with investors no longer surging into the market.
- An improved outlook for state revenues will place a floor under additional spending cuts and furloughs, reducing Sacramento's largest drag. Moody's reported at year-end 2013, "A strengthening statewide recovery and increasing revenues will support Sacramento's primary economic driver. State government employment in the state capital outside of higher education has recovered 60.0 percent of the jobs lost during the recession." Additionally, commercial real estate will benefit from an improving state budget as state agency's need to lease space increase in the region.

On the upside, Sacramento's strong assets remain the affordability of business and living costs compared to the San Francisco Bay metros. Additionally, universities in the Sacramento region, University of California, Davis and California State University, Sacramento, provide stable employment and research support to the local economy.

Local Area Analysis

LOCAL AREA MAP



LOCATION OVERVIEW

The subject property is located approximately 6 miles south of Truckee, California and 6 miles north of Kings Beach on the north shore of Lake Tahoe. The Northstar California development is situated above the Martis Valley and views of Lake Tahoe are available at the top of the ski area. Following is a discussion of the development in the subject's immediate area.

NEIGHBORHOOD ANALYSIS

The Northstar California CFD is located throughout the base area of the Northstar California resort as well as mid-mountain. It is integrated into the surrounding ski area. This resort contains over 8,000 acres of land owned by CNL Income Properties who purchased the resort in a sale/leaseback transaction with Booth Creek Resort Properties in 2007. In fall 2010 Vail Resorts Inc. acquired the mountain operations from Booth Creek for a reported price of $63 million. The surrounding Northstar residential community was originally master-planned and developed in 1972 with approval for several thousand homes, an 18-hole golf course and an alpine skiing resort. The community has operated shuttle transportation and a recreation center amenity for many years. The following is a description of the subject's immediate surroundings.

<u>North</u> – Immediately north of the Village at Northstar are two circular drives leading to Northstar Drive. The circular drives are for skier drop off and bus loading and unloading. Northstar Drive is the main arterial road through the Northstar California master planned development leading to Highway 267. It provides the direct access to the Village of the subject. Further north are proposed condominiums in the area referred to as The Village North as well as day skier surface parking lots. Continuing north is single family residential resort development on Big Springs Drive. This is high quality development of homes generally ranging from $1.5 to $4.0 million. The Northstar Golf Course is located northeast of the subject on the north boundary of the Northstar master planned development.

Further north beyond the boundary of the Northstar development is the Martis Valley. Much of the Martis Valley is currently privately owned vacant land, which is the focus of substantial future development planning. Significant development in the Martis Valley includes the Lahontan Golf Community, which was developed in the late 1990s. This is an 880-acre, exclusive golf and amenity based second-home community with approximately 500 lots, approximately one-half of which have been built with luxury homes. Future phases of Lahontan and similar style golf course development is planned for the Martis Valley. Martis Camp is another golf community development by DMB Mountainside, the same developer as Lahontan. This development is adjacent to Lahontan and Northstar-at-Tahoe on approximately 2,200 acres. At build-out this development will consist of 653 single family estate lots at an average of 2 acres. In addition to the Tom Fazio designed golf course this community has numerous high quality amenities. This project experienced good sale volume in spite of the poor market conditions. The addition of the Martis Camp Express Quad chairlift on Northstar California provided this project with direct ski access which has linked this high quality development with Northstar. Presently there are about 200 completed homes in Martis Camp with many more under construction.

Development in the Martis Valley was challenged by multiple environmental and citizens groups and the Martis Valley Plan was the subject of substantial litigation. This litigation was finally resolved with the Martis Valley Plan approved by Placer County still intact. Further North is the Town of Truckee and Interstate 80.

<u>South</u> – Immediately south of the subject beyond The Village is the base station of the Northstar-at-Tahoe Gondola. Further south are ski runs leading to the Mountainside area. Further south beyond the improved Northstar-at-Tahoe ski area is vacant, forested mountainland leading to King's Beach, a north shore Lake Tahoe community.

East – Immediately east of the subject is The Village condominium lodge building. This is a 3 story building built in the 1980s with residential condominiums on the upper levels and commercial space on the main pedestrian level. This building has been significantly remodeled on the exterior in conjunction with the development taking place in The Village. Further east is older condominium development located in the Northstar master planned development. Continuing east is employee housing built as a requirement of the development agreement as well as maintenance areas within the Northstar master planned development leading to Highway 267.

West – Immediately west of the Village is the Mountainside Gondola which is a fixed grip pulse gondola featuring 8 passenger cabins connecting the Village to the Ritz-Carlton and Mountainside area. Further west are resort ski runs and single family residential subdivisions in the Big Springs area of the master planned development with vacant mountain land beyond.

Trend – The trend of development in the subject's immediate area is for redevelopment of the Northstar-at-Tahoe base area and resort. The subject project represents virtually all of the development within the master planned area and all future projects are already served with roads and infrastructure and will have some type of ski access.

SPECIAL HAZARDS OR ADVERSE INFLUENCES

We observed no detrimental influences in the local market area, such as landfills, flood areas, noisy or air polluting industrial plants, or chemical factories.

LAND USE CHANGES

The subject development approvals represent some of the most significant land use changes to occur in the area over the last decade. Given the limited supply of developable land in the area as well as a stringent planning process there is not likely to be any competition in the near term.

ACCESS

Local area accessibility is generally good, relying on the following transportation arteries:

Local:	State Highway 267 provides access to Northstar Drive and Mountainside View Road and leads to Interstate 80 approximately 6 miles to the north and Kings Beach and State Highway 28 on the North Shore of Lake Tahoe approximately 6 miles to the south.
Regional:	Interstate 80 provides the primary regional transportation to the area with Reno, Nevada and the Reno/Tahoe airport 30 miles east, and Sacramento 80 miles west and San Francisco and the Pacific Ocean 100+ miles to the west.

The Tahoe Area Regional Transit Authority runs public transportation to Northstar. The link runs between Truckee and Kings Beach at which point transfers to other public transportation is available.

CONCLUSION

The subject development is in a well established resort community just north of the Lake Tahoe Basin providing it with a strong summer and winter tourism economy. The proximity of the subject within two to three hours drive time of the large population base surrounding Sacramento and San Francisco is favorable for continued resort demand in the area.

Market Analysis

The subject property is a master planned project with a mix of product and the primary recreation amenity being the Northstar California ski resort, as well as an 18-hole golf course. The residential and lodging projects at Northstar are oriented towards resort recreation and second homeowners. The health of the second home market is closely tied to market conditions for primary housing as that is often the source of equity applied to second home ownership. This type of buyer represents a more regional market and thus we also consider it appropriate to review market activity in other mountain resorts. In order to address the various aspects of the subject master planned community as well as the ski resort we will provide several different components to our Market Analysis which are summarized as follows:

- Lake Tahoe Real Estate Market
- Western Mountain Resort Market
- Alpine Ski Market

LAKE TAHOE BASIN RESIDENTIAL MARKET

Northstar California is just north of the Lake Tahoe Basin. As the subject drainages are into the Martis Valley and Truckee River the subject does not fall into the designation as part of the basin. From a planning standpoint it is significant as the subject did not have to endure the planning process with the Tahoe Regional Planning Agency (TRPA). From a real estate standpoint housing with the Lake Tahoe Basin has a somewhat finite supply and thus different supply and demand dynamics than areas that could still experience growth. We have analyzed historical sales activity and trends in the residential market throughout the basin with information prepared by Johnson-Perkins and Associates.

The Lake Tahoe Basin is generally segmented into four different sub-markets which are described below. It is noted that theses different sub-markets are somewhat segmented due to different Multiple Listing Services that generally serve the more localized areas.

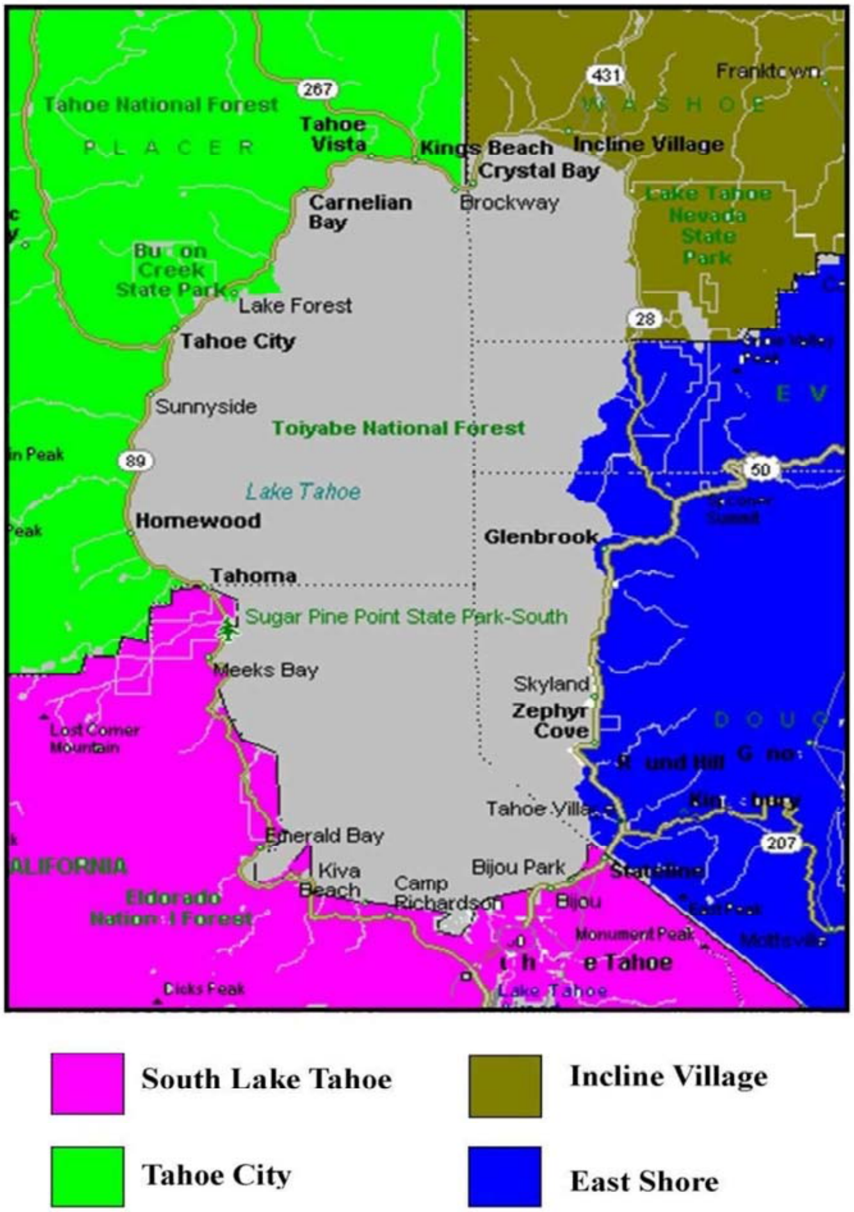
South Lake Tahoe – This area encompasses the California side of the lake from Stateline to the El Dorado County/Placer County border in Tahoma on the west shore of the lake;

Tahoe City – This submarket extends north from the El Dorado/Placer County border in Tahoma to the California/Nevada State line in Crystal Bay on the north shore and encompasses Tahoe City;

Incline Village – The Incline Village submarket extends from the State line in Crystal Bay, Nevada to the south end of Incline Village;

East Shore – This market area extends in a southerly direction from the south end of Incline Village to the Nevada/California border in Stateline, Nevada. This area is generally focused in the southern area of the lake around Zephyr Cove.

Tahoe Basin Submarkets



From 2002 to mid-2006, the residential real estate market experienced significant appreciation. Between 2006 and 2007, the real estate market began to exhibit signs of softening. In 2008 through 2011, the market experienced a significant downturn, which paralleled trends throughout the country. In 2013, residential prices began to appreciate.

Various Boards of Realtors have compiled annual statistics regarding sales of improved single family residential properties in the Lake Tahoe Basin in recent years.

The South Lake Tahoe Board of Realtors has collected the following data for the south shore area:

El Dorado County Portion of Lake Tahoe Basin
Single Family Residential Sales

Year	Number of Sales	Median Sale Price	% Increase	Average Sales Price	% Increase	Average Marketing Time
2005	701	*$479,900*	*N/A*	$573,871	*N/A*	93 Days
2006	440	*$476,000*	*-0.8%*	$566,178	*-1.3%*	147 Days
2007	337	*$450,000*	*-5.5%*	$584,287	*3.2%*	179 Days
2008	356	*$405,000*	*-10.0%*	$492,988	*-15.6%*	170 Days
2009	444	*$318,500*	*-21.4%*	$418,109	*-15.2%*	176 Days
2010	509	*$319,000*	*0.2%*	$399,944	*-4.3%*	165 Days
2011	547	*$265,000*	*-16.9%*	$352,538	*-11.9%*	175 Days
2012	695	*$231,950*	*-12.5%*	$335,389	*-4.9%*	136 Days
2013	647	*$330,000*	*42.3%*	$398,791	*18.9%*	119 Days
Q1 2014	120	*$362,500*	*9.8%*	$437,790	*9.8%*	136 Days

The median and average single family residential sale price in South Lake Tahoe increased from 2003 through 2005. After 2005, there was a gradual decline through 2007, before a substantial decline each year through 2012, except for the median sales price in 2010. In 2013, the median sale price was up 42.3% and the average sale price was up 18.9% from 2012. In interviews with a number of local brokers it has been stated that there has been a shortage of properties on the market, and overall high demand.

The Tahoe-Sierra Board of Realtors, Inc. has compiled similar statistics for sales of improved residential properties on the west and north shores of Lake Tahoe on the following table:

Placer County Portion of Lake Tahoe Basin
Single Family Residential Sales

Year	Number of Sales	Median Sale Price	% Increase	Average Sales Price	% Increase	Average Marketing Time
2005	243	*$735,000*	*N/A*	$1,049,670	*N/A*	94
2006	262	*$765,000*	*4.1%*	$1,105,060	*5.3%*	101
2007	185	*$749,000*	*-2.1%*	$1,150,232	*4.1%*	118
2008	152	*$650,000*	*-13.2%*	$1,098,704	*-4.5%*	154
2009	211	*$530,000*	*-18.5%*	$765,912	*-30.3%*	128
2010	250	*$445,750*	*-15.9%*	$906,291	*18.3%*	120
2011	257	*$432,000*	*-3.1%*	$705,195	*-22.2%*	116
2012	367	*$430,000*	*-0.5%*	$878,901	*24.6%*	127
2013	331	*$510,000*	*18.6%*	$778,793	*-11.4%*	94
Q1 2014	42	*$640,000*	*25.5%*	$1,305,053	*67.6%*	90

Though the average sale price in Placer County has fluctuated over the last several years, the median sale price declined each year through 2012. In 2013, there was an increase in median sale price. On the other hand, average sale price was down in 2013. This is primarily due to a number of high dollar sales that took place in 2012. Overall, this market demonstrated strong recovery in 2013.

The Incline Village Board of Realtors and the Washoe County Assessor's office has compiled statistics on improved residential sales in the Washoe County portion of the Lake Tahoe Basin, which are presented in the following table.

Incline Village / Washoe County Portion of Lake Tahoe Basin
Single Family Residential Sales

Year	Number of Sales	Median Sale Price	% Increase	Average Sales Price	% Increase	Average Marketing Time
2004	224	$865,375	*N/A*	$1,293,254	*N/A*	134
2005	224	$1,115,000	*28.80%*	$1,524,841	*17.90%*	139
2006	121	$1,133,000	*1.60%*	$1,777,269	*16.60%*	163
2007	138	$1,187,500	*4.80%*	$1,847,237	*3.90%*	183
2008	84	$1,153,600	*-2.90%*	$1,383,060	*-25.10%*	177
2009	89	$1,000,000	*-13.30%*	$1,495,788	*8.20%*	210
2010	115	$839,000	*-16.10%*	$1,446,733	*-3.30%*	249
2011	96	$771,500	*-8.00%*	$1,238,514	*-14.40%*	234
2012	151	$744,900	*-3.40%*	$1,303,260	*5.20%*	221
2013	205	$935,000	*25.50%*	$1,636,290	*25.60%*	179
Q1 2014	33	$1,145,000	*22.45%*	$1,934,076	*18.20%*	199

Average sale prices in the Incline Village residential market in 2013 are near similar levels as during the peak of the market from 2004-2007. Also in 2013 sales activity was strong with 205 sales, which compares to a total of 151 total sales in 2012. Median and average sale prices are also up substantially over 2012.

Finally, statistics for residential sales in the Douglas County portion of the Lake Tahoe Basin are presented below.

Douglas County Portion of Lake Tahoe Basin
Single Family Residential Sales

Year	Number of Sales	Median Sale Price	% Increase	Average Sales Price	% Increase	Average Marketing Time
2005	141	*$849,000*	*N/A*	$1,402,419	*N/A*	179
2006	89	*$915,000*	*7.8%*	$1,737,310	*23.9%*	194
2007	74	*$1,045,000*	*14.2%*	$2,179,786	*25.5%*	239
2008	71	*$625,000*	*-40.2%*	$1,178,702	*-45.9%*	238
2009	85	*$545,000*	*-12.8%*	$1,055,804	*-10.4%*	203
2010	91	*$570,000*	*4.6%*	$955,781	*-9.5%*	242
2011	86	*$575,000*	*0.9%*	$1,275,274	*33.4%*	228
2012	110	*$482,500*	*-16.1%*	$850,795	*-33.3%*	196
2013	134	*$681,250*	*41.2%*	$1,316,824	*54.8%*	127
Q1 2014	15	*$636,433*	*-6.6%*	$967,433	*-26.5%*	210

The median and average sale prices increased substantially during the peak of the market from 2004 to 2007 with a significant jump in 2012. When the foreclosure crisis hit the market in 2008, prices declined sharply three years in a row, from 2008-2010. In 2013, however, the market was very strong. There were 134 sales in 2013 which shows a substantial increase from 2012 and is almost double the 2008 level of sales in the trough of the down market.

In summary, the residential market in 2013 experienced a significant upturn in sales activity and average and median sale prices.

Proposed Projects

There are several proposed redevelopment projects throughout the Lake Tahoe Basin, particularly in South Lake Tahoe, Kings Beach, and Crystal Bay.

- The Chateau at Heavenly Village is an 11.53± acre site located adjacent to Harvey's Resort Hotel and Casino, on the south shore California side of the lake. The plans call for a convention center, two condominium hotels, specialty retail space, subterranean parking, nightclub, and a health spa. The project had been vacant (only the foundation installed) and on hold since late 2007 as the developer was been unable to obtain financing, and filed for Chapter 11 Bankruptcy in October of 2009. The timing of this project is uncertain at this time until financing becomes available. As a result of the financial difficulties of the original developer, the two major lenders for the project now own (or otherwise control) this site. Owens Realty Mortgage, who owns most of the Phase A site recently obtained approvals to construct 30,000± square feet of specialty retail space, and construction has begun. The balance of the project remains on hold pending market conditions. The retail space is anticipated for completion by the summer of 2014.
- Tahoe Shores Mobile Home Park is located at the terminus of Kahle Drive in Stateline, Nevada. The owners of this property have received entitlements to redevelop the property and construct 143 single family townhome units along the shores of Lake Tahoe. It would also include a luxury clubhouse and fitness center of approximately 50,000 square feet. This project has been unable to obtain suitable financing and there is no anticipated timeframe for development.

- Edgewood Tahoe is planning to develop a resort hotel along the ninth hole of the Edgewood Golf Course, which is behind the casinos and extends along the lake shore. This resort would contain 194 luxury lodging units and accessory amenities of a restaurant, lounge, etc. The project has completed Environmental Impact Statement and presented to the TRPA Board of Trustees. One of the last hurdles is the request for a height variance that would enhance the architectural appeal of the project and further enhance the beauty of the surroundings. The lodge could be completed by 2015.
- In Crystal Bay, Nevada, developers were working on a major redevelopment of the Tahoe Biltmore, which would have involved demolition of the casino hotel building and construction of a condominium project with retail and restaurants. The final Environmental Impact Statement (EIS) was completed and a final approval was granted by the TRPA in the spring of 2011. Since then, however, the project has been on hold due to financing difficulties. As I understand, the primary lender on the project sold the promissory note secured by a first deed of trust on the property to JMA Ventures in early 2013. JMA Ventures is the owner of Homewood Ski Resort, Alpine Meadows/Squaw Valley.
- Within Kings Beach, the downtown area has been proposed for redevelopment for many years. The project proposed consists of a mixed use development of office, retail, and residential land uses. Several years ago, Placer County was considered to be a prospective tenant in this project as they had been researching locations on the north shore for a government center. They are no longer considering this project for a government center, nor are they still considering any other location in the Tahoe Basin at the present time. The redevelopment area is between Coon Street and Fox Street and North Lake Boulevard and Salmon Avenue. Due to financing and market conditions, this project is on an indefinite hold.
- Homewood Ski Resort on the west shore is another major proposed redevelopment project. Owned by JMA Ventures, the developers of Ghirardelli Square in San Francisco, plans call for resort hotels, residential condominiums, and specialty retail. The project is in the EIS stages and will likely be several years before construction of Phase I begins. JMA Ventures also has an ownership interest in the Alpine/Squaw Valley Ski Resort partnership.

Conclusion

In summary, the Lake Tahoe Basin is considered to be one of the most diversified year-round recreational resort areas in the western United States. Its dramatic setting, the pristine clarity of its waters, its favorable climate and its many varied recreational attractions endow it with unique characteristics. The local economy should eventually benefit from the substantial efforts underway to upgrade the "Tahoe Experience," particularly for the more affluent destination resort visitor. These efforts include numerous redevelopment projects. The older motels around the Tahoe Basin continue to struggle with very low occupancy levels.

The residential market in 2013 recovered substantially with increases in median sale prices and sales volume. On the other hand, the overall economy in the Tahoe Basin does not appear to be recovering as quickly as the San Francisco Bay Area or the U.S.

Tahoe Sierra MLS Analysis

In addition to the information presented previously we have conducted a more specific analysis of real estate transactions within the context of just the Tahoe Sierra Multiple Listing Service which is focused on the northern area of Lake Tahoe including Northstar, Truckee and Squaw Valley. The primary purpose of this analysis is to focus on the recent market activity in 2013 and the first quarter of 2014 relative to the historical data. The tables on the following pages illustrate these trends on the local level.

Unit Sales

The growth in the number of single family home sales in the past five years has been consistent with the largest jump from 2008 to 2009 and 10± percent the last three years with the 2012 indication back over 1,000 home sales and continued growth in 2013 to 1,167 homes. Overall the total 2013 unit sales of 1,167 is a 79 percent increase from 2008 which had 652 unit sales. The first quarter 2014 sales of 166 units is 25percent higher than 2008 but represents a decline from the 223 units sold in first quarter 2013. A most significant change is the 42 percent increase in the average sale price from Q1 2013 to Q1 2014. Each year and each quarter since 2008 home sales have increased.

Condominium sales have also been improving but with some fluctuations. The total condominium sales have been growing steadily the last five years and the 2012 unit sales of 296 was 73 percent higher than the 2008 rate of 171. It is noted that the first quarter of 2013 had 68 unit sales which was nearly double the 2008 indication, whereas the first quarter 2014 sales declined to 58 units.

Dollar Volume

The dollar volume for single family homes has experienced more fluctuation in the past five years as has the average pricing. However it is notable the 2012 dollar volume of $723,937,306 is well above any of the indications since 2008 which is also true of first quarter 2013 which is 33.8 percent higher than 2012.

Condominium sales volume has tracked somewhat differently with generally steady indication in the range of 255 to 296 over the past four years. It is noted that some of the 2008 sales were closings on contracts made in late 2006 and in 2007 before the rapid market downturn in 2007. The most significant increase in condominium sales volume was in first quarter 2013 which was nearly three times the first quarter 2012 volume. There was a 25.1 percent decline in volume for first quarter 2014 some of which could be attributable to the declining inventory of available product.

Average Price

The average price indications have experienced fluctuations over the past five or six years. Overall average prices as of 2013 and first quarter 2014 are still below the 2008 indications. The average single family home price in 2013 of $723,887 is about 89 percent of the $811,945 average price in 2008. However it is noted the average price in the first quarter of 2014 is $1,006,468 which is a 24 percent increase from the 2008 average.

The average price indication for condominiums in 2013 was $705,708 which is 84 percent of the 2008 average price of $839,568. This appears to be a more substantial overall loss in value compared to the single family home prices discussed above. It is noted the 2013 average condominium price jumped by 62 percent from the $435,490 average in 2012. This suggests the distressed inventory has pretty much worked its way back into the market and is trending to a more balances supply and demand situation. The first quarter 2014 average condominium price of $553,795 is below the $630,236 average price in 2013 which was the highest first quarter indication since 2008 and was a 76 percent increase over 2012. The first quarter 2014 indication declined by 12.1 percent from 2013.

CONCLUSION

The previous discussion and following tables indicate continued strengthening of demand in the local market for both single family homes and condominiums through 2012 and 2013. The first quarter 2014 experienced declines from 2013. As expected the increasing demand since 2008 has been a result of declining prices coupled with the continued depletion of the distressed inventory created by the strong decline in the market starting in late 2007.

Tahoe Sierra MLS Annual Sold Analysis Summary 2008 - 2013											
Year	2008	2009	% Change	2010	% Change	2011	% Change	2012	% Change	2013	% Change
Single Family											
No. of Listings	652	790	21.2%	864	9.4%	959	11.0%	1,064	10.9%	1,167	9.7%
Dollar Volume	$529,388,444	$516,583,356	-2.4%	$589,850,832	14.2%	$553,763,325	-6.1%	$723,937,306	30.7%	$844,776,179	16.7%
Average Price	$811,945	$653,903	-19.5%	$682,698	4.4%	$577,438	-15.4%	$680,392	17.8%	$723,887	6.4%
Median Price	$855,250	$676,994	-20.8%	$749,906	10.8%	$552,344	-26.3%	$529,288	-4.2%	$691,544	30.7%
Average DOM	148	140	-5.6%	159	13.6%	156	-2.0%	151	-3.5%	129	-14.1%
Condominiums											
No. of Listings	171	188	9.9%	270	43.6%	255	-5.6%	296	16.1%	254	-14.2%
Dollar Volume	$143,566,166	$88,191,355	-38.6%	$138,622,142	57.2%	$99,796,593	-28.0%	$128,904,942	29.2%	$179,249,771	39.1%
Average Price	$839,568	$469,103	-44.1%	$513,415	9.4%	$391,359	-23.8%	$435,490	11.3%	$705,708	62.0%
Median Price	$532,500	$329,700	-38.1%	$397,406	20.5%	$281,744	-29.1%	$266,863	-5.3%	$403,363	51.1%
Average DOM	140	193	37.7%	145	-24.7%	135	-6.6%	131	-3.2%	130	-0.7%

Source: Tahoe Sierra MLS

Tahoe Sierra MLS 1st Quarter Sold Analysis Summary										
Year - Q1	2008	2009	2010	2011	2012	% Change	2013	% Change	2014	% Change
Single Family										
No. of Listings	132	106	159	180	212	17.8%	223	5.2%	166	-25.6%
Dollar Volume	$111,275,330	$58,597,000	$97,264,600	$131,395,378	$118,100,789	-10.1%	$158,047,722	33.8%	$167,073,782	5.7%
Average Price	$842,995	$552,802	$611,727	$729,974	$557,079	-23.7%	$708,734	27.2%	$1,006,468	42.0%
Median Price	$787,625	$805,938	$680,772	$393,431	$635,938	61.6%	$744,500	17.1%	$635,000	-14.7%
Average DOM	169	146	154	129	170	31.8%	172	1.0%	114	-33.6%
Condominiums										
No. of Listings	35	19	63	45	44	-2.2%	68	54.5%	58	-14.7%
Dollar Volume	$34,292,850	$10,738,350	$34,427,671	$21,316,150	$15,698,350	-26.4%	$42,856,036	173.0%	$32,120,150	-25.1%
Average Price	$979,796	$565,176	$546,471	$473,692	$356,781	-24.7%	$630,236	76.6%	$553,795	-12.1%
Median Price	$460,750	$285,934	$524,188	$404,125	$189,931	-53.0%	$505,528	166.2%	$326,000	-35.5%
Average DOM	121	132	180	205	111	-45.7%	129	15.9%	141	9.2%

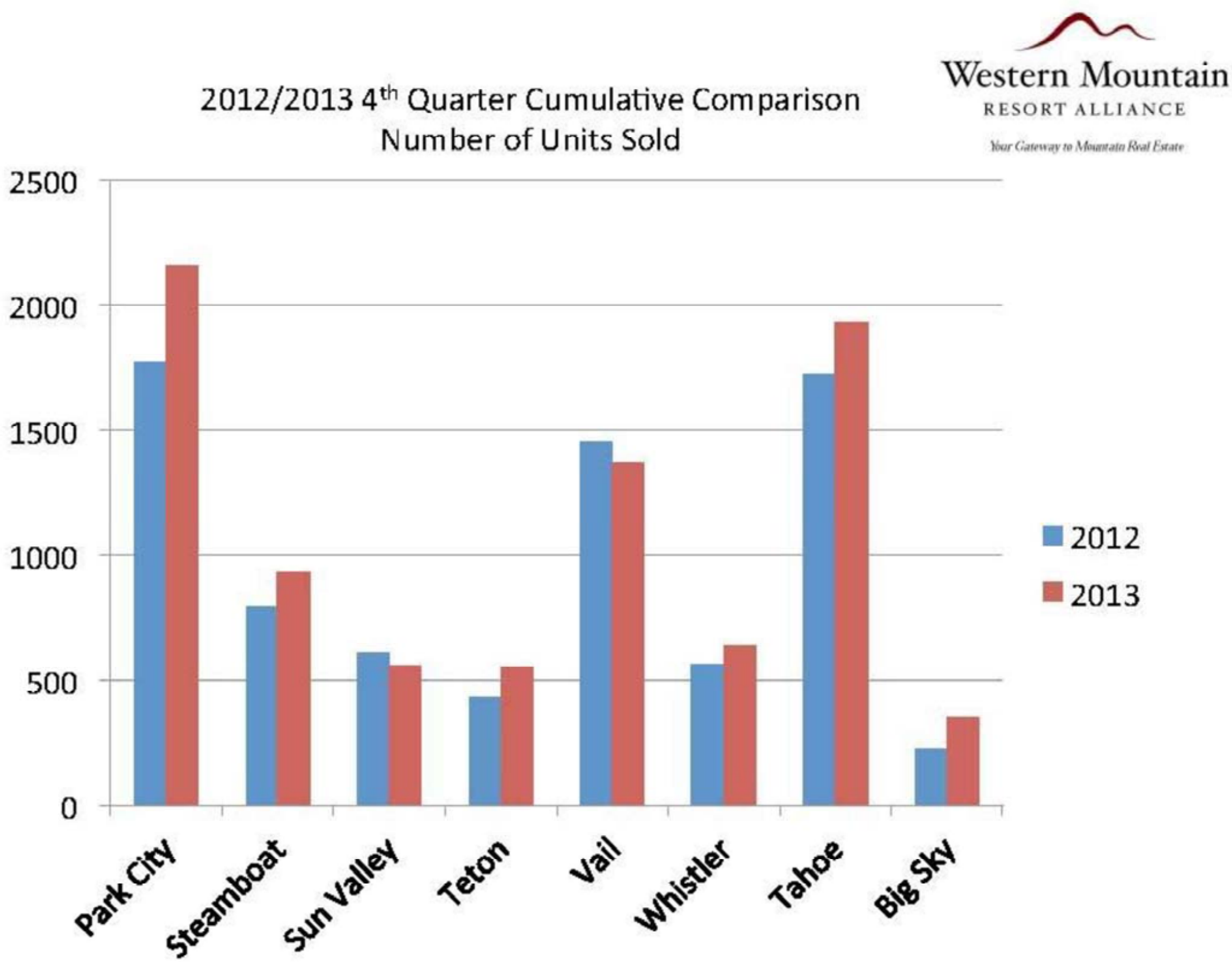
Western Mountain Resort Market Analysis

WESTERN RESORT COMMUNITY MARKET ACTIVITY

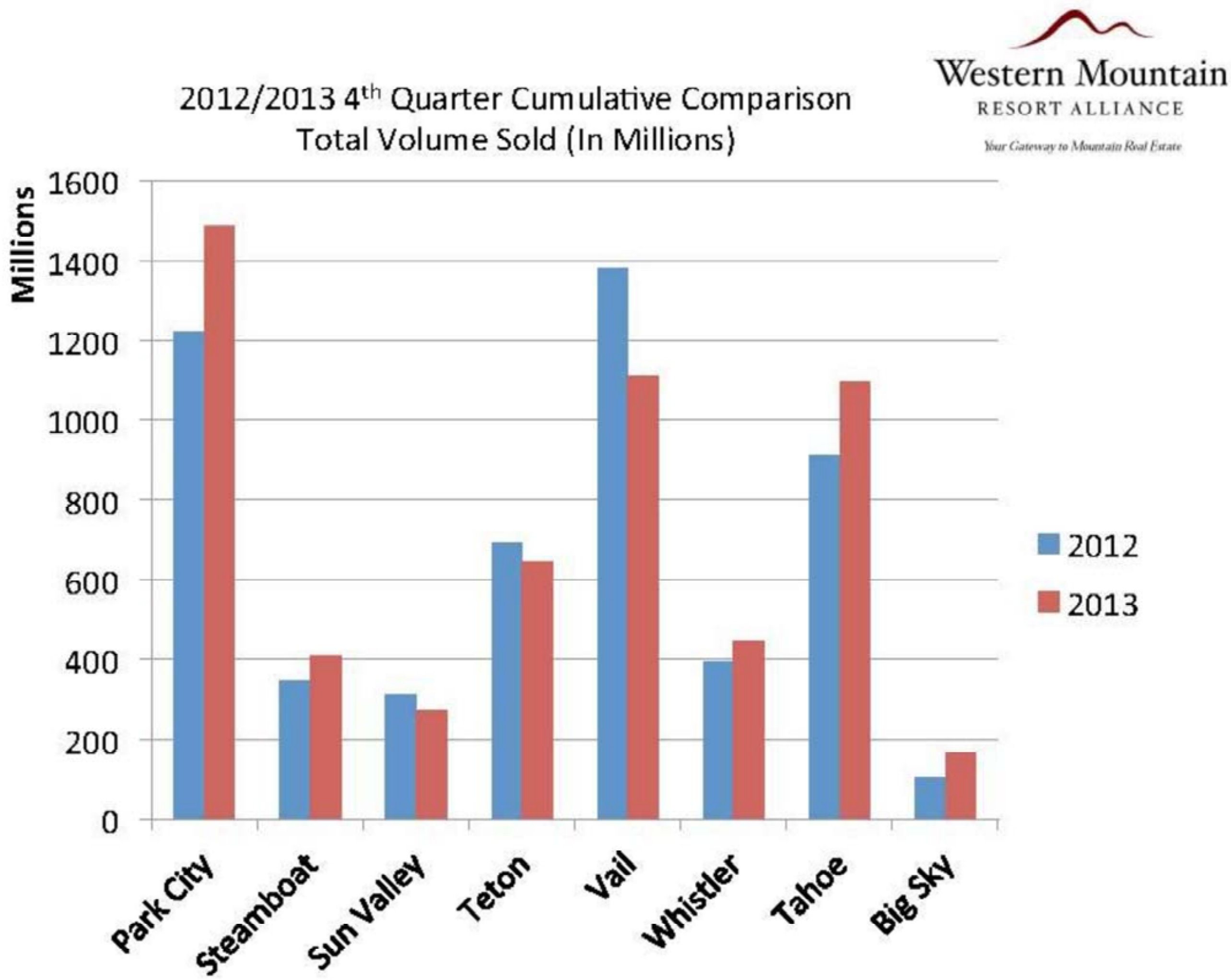
The following data has been provided by the Western Mountain Resort Alliance (WMRA) as published in the *2013 WMRA Year-End Report*. The Western Mountain Resort Alliance is composed of boards of realtors of destination ski resorts in the Mountain West. The alliance was formed in January of 1996, based on the realization that geographic boundaries were no longer as important as the common bond of being resort driven real estate markets.

The graphs shown have been extracted from the 2013 year end real estate sales statistics for the comparable resort markets of Park City, UT, Sun Valley, ID, Vail, CO, Tahoe/Truckee, CA, Whistler, BC, Jackson, WY, Steamboat Springs, CO and Big Sky, MT.

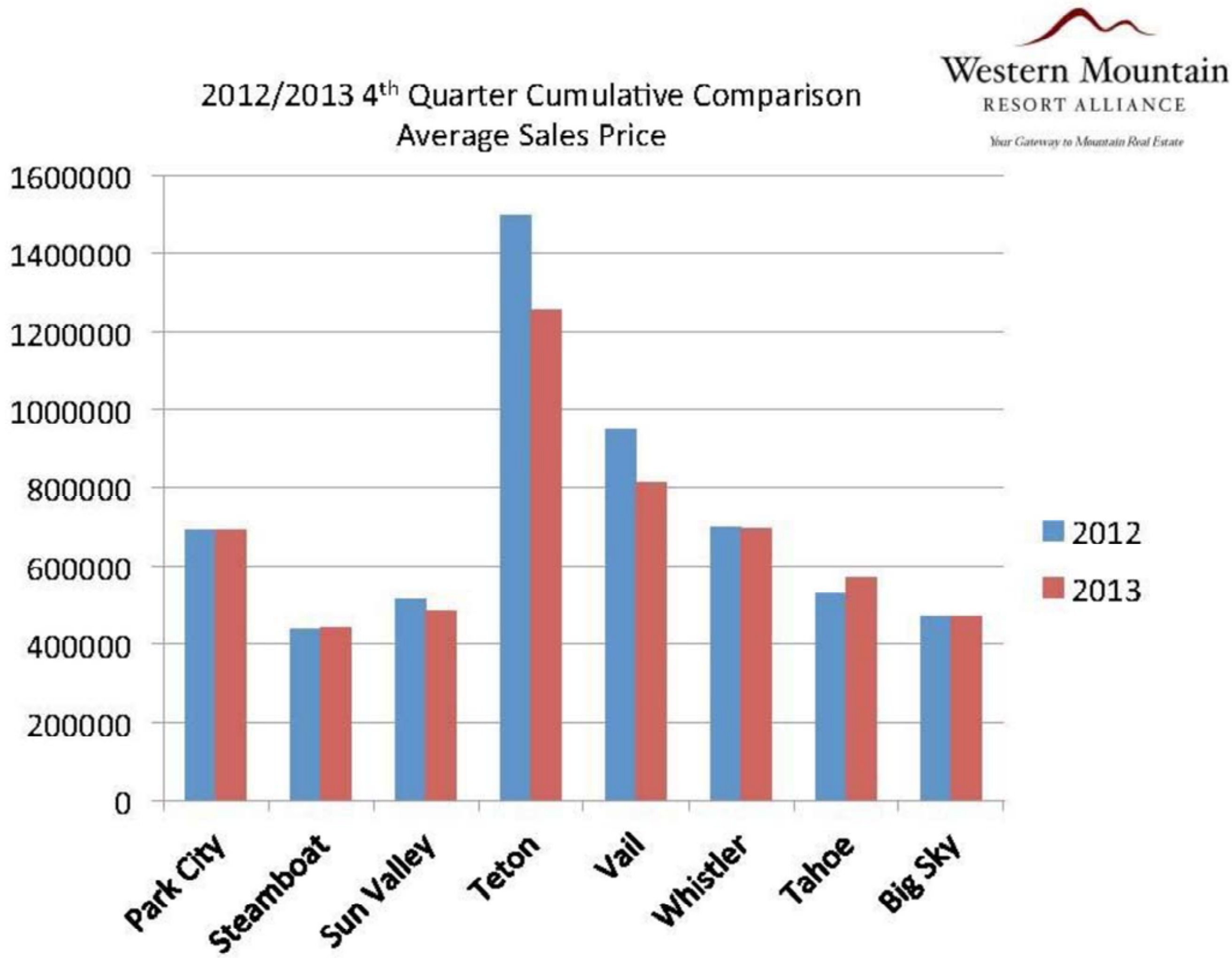
SALES ACTIVITY AND PRICING TRENDS

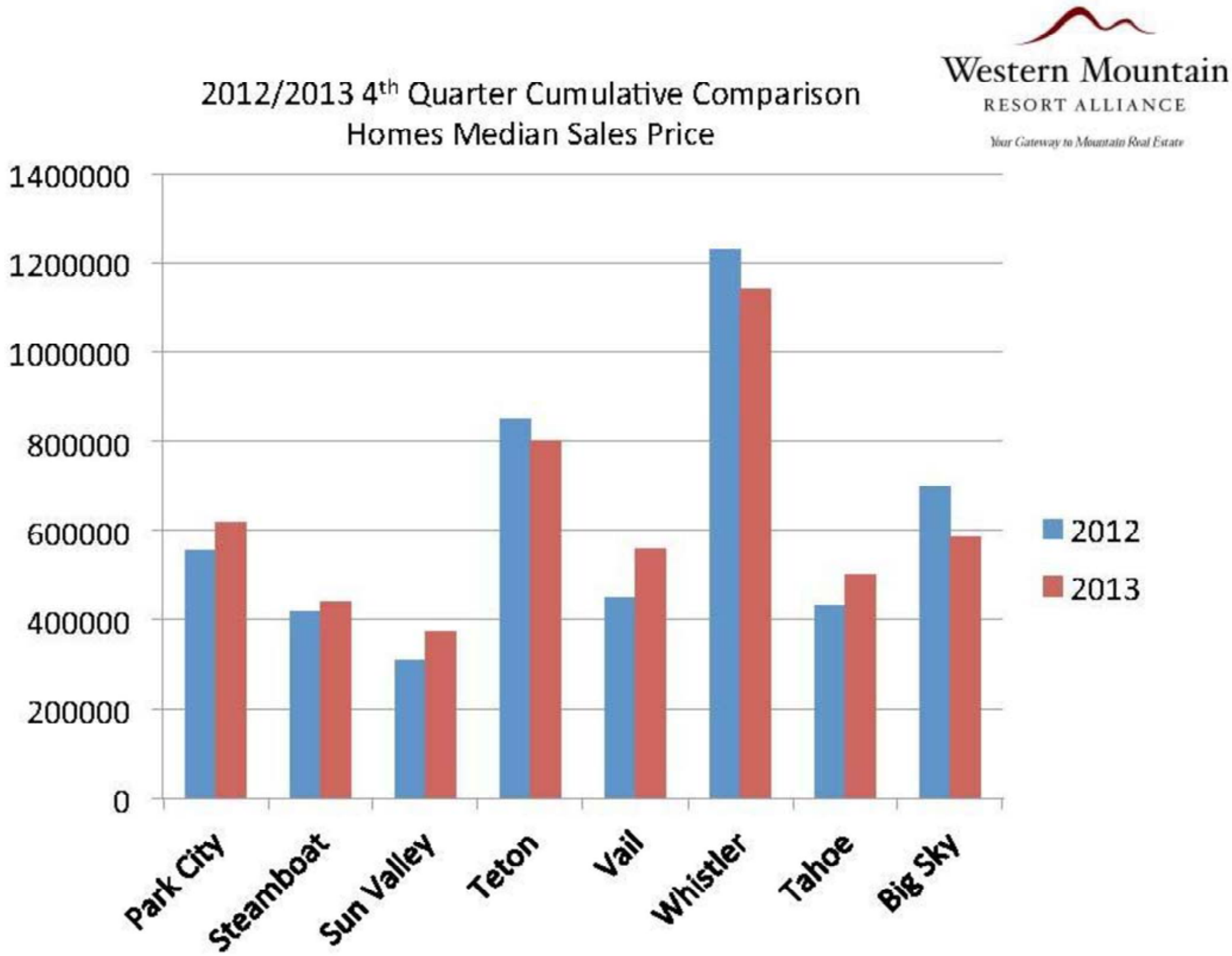


The above table indicates Lake Tahoe is among the top three markets with unit sales over 1,500 in 2012 with growth towards 2,000 units in 2013. Park City has slightly higher unit sales and Vail has slightly less.



The above table indicates that Park City has broken the $1.4 billion mark and Vail fell from almost $1.4 to just over $1.0 billion. The Tahoe area is third and experienced and increase to over $1.0 billion in 2013. The 2013 volume for Tahoe was the highest indication since 2006 which is the only prioryear that the Tahoe market broke the $1.0 billion sales volume mark.


Western Mountain
RESORT ALLIANCE
Your Gateway to Mountain Real Estate
2012/2013 4th Quarter Cumulative Comparison
Average Sales Price
1600000
1400000
1200000
1000000
800000
600000
400000
200000
0
Park City
Steamboat
Sun Valley
Teton
Vail
Whistler
Tahoe
Big Sky
2012
2013



Average and median sale prices indicate mixed results across the markets in the survey for unit sales. Tahoe was up in both categories.

CONCLUSION

The WMRA data generally indicate that sale activity has returned to western resort based real estate markets compared to 2010 and 2011 levels and suggest that stabilization, and perhaps an upward trajectory may be returning to these markets. The statistics also reflect favorably on the Tahoe market relative to its peer markets. In our view the most competitive market to Lake Tahoe is the Park City, Utah market. Park City is a 30 minute drive time from the Salt Lake International Airport which is a 1 hour 20 minute flight from the Bay area. Thus total commute time is around four hours which is not much different than the drive time to the Lake Tahoe area. The Park City resorts market heavily to the Bay area and many are willing to travel to Utah for the more consistent snow conditions compared to the Sierra Nevada. The summer attraction of Lake Tahoe is significant and a factor in keeping second homeowners in the region.

Ski Market Analysis

The Northstar California ski area represents the cornerstone amenity for the benefit of the subject property. The real estate values of the subject are strongly influenced by the immediate accessibility of this resort. Therefore it is considered appropriate to analyze the overall ski industry trends as well as Northstar's market position within the local area. The following analysis is based on data provided by the National Ski Area Association (NSAA). The NSAA breaks down the country into several regional submarkets. The Lake Tahoe area, and all of California is located in the Pacific Southwest, or Pacific West region per their definition.

NATIONAL SKI AREA OVERVIEW

The alpine resort industry in the United States is focused on outdoor recreation mostly in the form of downhill snowsports throughout various regions of the country. Generally associated with the mountainous regions it exists in both large and small resorts in the Northeast, Southeast, Midwest, and the Rocky Mountain as well as the Pacific West. The alpine resort industry has broad market appeal in terms of age and other demographics. This industry has generally been characterized by significant barriers to entry as the number of attractive sites is limited, the costs of resort development are high, and environmental regulations impose significant restrictions on new development. Since 1985, the ski resort industry has undergone a period of consolidation and attrition, resulting in a significant decline in the total number of ski areas in North America. Despite the recent consolidation trend overall, ownership of the smaller regional ski resorts remains highly fragmented. Technological advances and rising infrastructure costs are the primary reasons for the ski resort industry consolidation, and further consolidation is possible as smaller regional resorts are acquired by larger resort operators with more sophisticated management capabilities and increased availability of capital. This has been evident in the market in the past several years with Vail's Resorts acquisitions of Northstar California in 2010 and their purchase of Kirkwood in June 2012 in the Lake Tahoe area. Vail has also recently acquired two resorts in the Midwest. Many other smaller ski areas are struggling financially and have been acquired by local investors or organizations willing to subsidize the operations.

The ski industry has enjoyed solid growth over the past quarter of a century, including a notable rebound in recent years from the overall participation trough experienced in 2000. Baby boomers that drove the industry growth in the 1960's and 1970's are moving through peak spending years and have been generating significantly more travel volume than other demographic groups. These baby boomers have above average household income and their numbers will now be declining. The baby boomers created a "generational" market segment with grandparents skiing with their grandchildren and the generation in between. This is the phenomenon whereby skiing has evolved over time to the point where grandparents, parents and children (grandchildren) ski together as a multi-generational family experience. Such participation increases overall skier days in the industry and can drive real estate sales associated with the resorts. This is significant due to the fact that skiing in the earlier stages of the industry was primarily driven by a single generation of participants (in the 1960's, 70's and 80's). Now that generation of skiers has raised another generation of skiers. It is worth noting that the skiing did not become a "mainstream" sport until after World War II and thus this current phenomenon is effectively part of the evolution or maturation of the industry on the whole. Other notable trends include the proliferation of snowboarding and terrain parks which have given "skiing" a broader market and increased participation. However, snowboarding has declined in the past three years after several years of strong growth.

We have reviewed several publications from the National Ski Areas Association (NSAA) in order to present the following information regarding the national ski area market. These include the Kottke National End of Season Survey 2012/13 Report as well as the National Demographic Study 2012/13, and the Economic Analysis of United States Ski Areas 2012/13 which is the latest available edition of this report. The Lake Tahoe area falls within the Pacific Southwest submarket per the NSAA reports. Following is a general summary of the figures and trends in the ski industry.

Skier Visits

The U.S. ski industry has experienced a volatile attendance trend in the last several years. After it reached a record number of visits in the 2010/11 ski season of 60.54 million visits, which was boosted by substantial late season snow fall, it experienced its worst visitation in decades in the 2011/12 ski season of 51.036 million visits, a 15.2 percent decline. The record 60.54 million visits in 2010/11 barely edged out the 2007/08 visits and these are the only two seasons to have ever exceeded the 60 million figure. The 18.8 percent decline from the 60.54 million visits in the 2010/11 season to the 50.9 million visits in the 2011/12 season clearly demonstrates the influence that weather and snow conditions has on visitation. However, the rebound to 56.9 million visitors in the most recent 2012/13 season is notable as this 11.7 percent increase occurred in a season which had below average snowfall and only marginally better conditions in some regions. The largest gain was in the northeast. As exhibited by the last several seasons snowfall, and other weather factors, can significantly impact skier visits in any given year. The large increase in last year's season indicates the loyalty and desire of the skier base. The near term skier visits from the last three years are summarized in the following table. It is noted the Lake Tahoe area is located in the Pacific Southwest submarket per the NSAA data.

Projected Skier Visits by Region 2009/10 - 2011/13

Region	2012/13	2011/12	12/13 vs. 11/12 % Change	2010/11	12/13 vs. 10/11 % Change	2009/2010	12/13 vs. 09/10 % Change
Northeast	13,333,572	11,020,756	21.0%	13,886,888	-4.0%	13,410,615	-0.6%
Southeast	5,155,138	4,404,654	17.0%	5,789,279	-11.0%	6,015,832	-14.3%
Midwest	7,273,465	6,382,176	14.0%	7,811,077	-6.9%	7,718,458	-5.8%
Rocky Mountain	19,800,404	19,130,471	3.5%	20,900,328	-5.3%	20,377,710	-2.8%
Pacific Southwest	7,140,141	6,066,273	17.7%	8,111,298	-12.0%	8,411,483	-15.1%
Pacific Northwest	4,201,508	3,962,077	6.0%	4,041,627	4.0%	3,852,902	9.0%
Total	56,904,227	50,966,407	11.7%	60,540,496	-6.0%	59,787,001	-4.8%

Source: Kottke National End of Season Survey 2012/13, Final Report July 2013, NSAA

As noted in the above table there are variances among the regions which would suggest that having several resorts in different regions helps diversify risk. The subject portfolio has that diversity. It is noted by the Kottke Year End Survey that these record setting years are in the context of 34 years of data gathering.

The specific reasons for the large decline in the 2011/12 season noted above were cited as follows:

- Very low natural snow, in some cases the lowest in decades of record keeping
- Unusually high temperatures, sometimes at record levels, and a particularly warm March
- Frequent rain
- Resulting operational challenges being delayed openings, early closures, limited snowmaking windows
- Consumer marketing challenges due to lack of enthusiasm from lack of snow
- Remaining economic challenges of a still struggling economy and job market

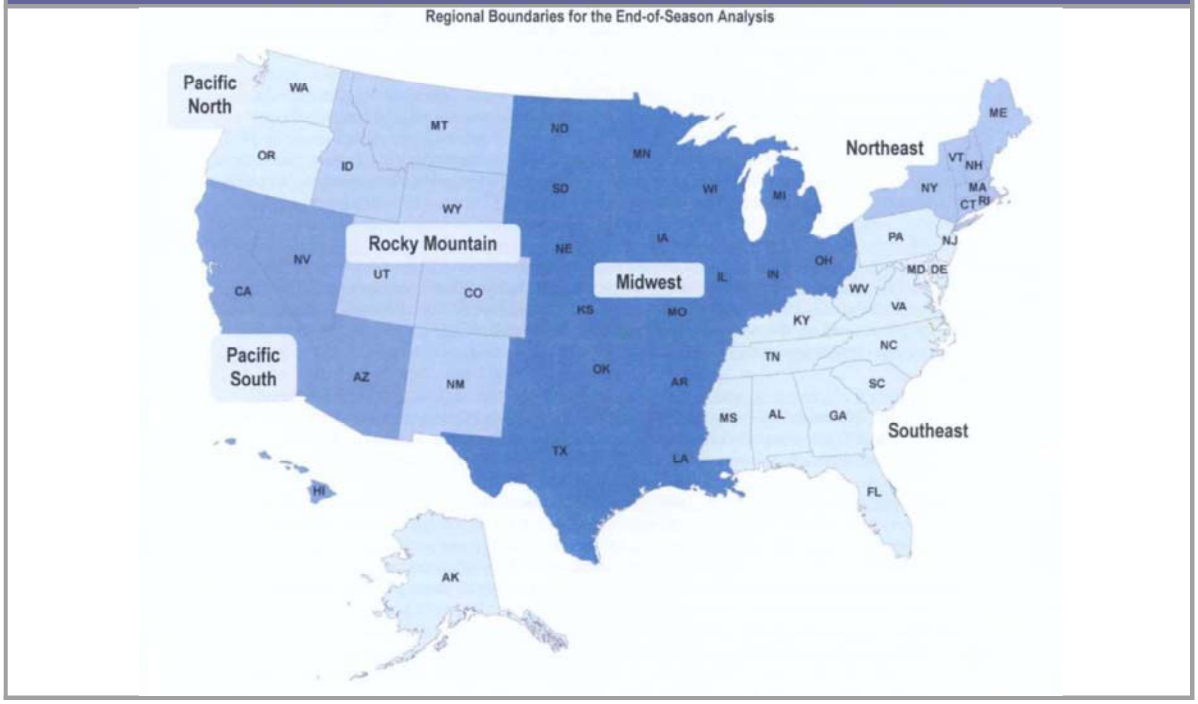
The following table summarizes a more historical look at skier days by region.

Estimated U.S. Skier Visits by Region 2000/01 - 2012/13 (in millions, 000)									
Season	Northeast	Southeast	Midwest	Rocky Mtn.	Pacific Southwest	Pacific Northwest	Pacific West (Total)	U.S. Total	Index 1978/79=100
2012/13	13,334	5,155	7,273	19,800	7,140	4,202	11,342	59,904	NA
2011/12	11,021	4,405	6,382	19,130	6,066	3,962	10,028	50,966	102
2010/11	13,887	5,789	7,811	20,900	8,111	4,042	12,153	60,540	121
2009/10	13,411	6,016	7,718	20,378	8,411	3,853	12,264	59,787	119
2008/09	13,730	5,664	7,247	19,974	7,091	3,647	10,738	57,354	114
2007/08	14,261	5,204	8,099	21,324	7,617	3,998	11,615	60,502	121
2006/07	11,801	4,888	7,200	20,849	6,536	3,794	10,330	55,068	110
2005/06	12,505	5,839	7,787	20,717	7,916	4,133	12,049	58,897	117
2004/05	13,661	5,504	7,533	19,606	8,888	1,690	10,579	56,882	113
2003/04	12,892	5,588	7,773	18,868	8,033	3,912	11,946	57,067	114
2002/03	13,991	5,833	8,129	18,728	7,885	3,027	10,913	57,594	115
2001/02	12,188	4,994	6,980	18,123	7,947	4,179	12,126	54,411	108
2000/01	13,697	5,458	7,580	19,324	7,836	3,442	11,278	57,337	114
Average	13,106	5,411	7,501	19,825	7,652	3,683	11,335	57,408	114
% of Total	22.8%	9.4%	13.1%	34.5%	13.3%	6.4%	19.7%	100.0%	

Source: Kottke National End of Season Survey 2012/13, July 2013, NSAA

The table above indicates the regional trends in skier days since 2000. The Rocky Mountain region captures the largest number of skier days by far averaging 34.5 percent of the market, with the Northeast next at 22.8 percent. The Pacific West (split into two sub-regions) is third, with the southeast and Midwest with much smaller market share. The following map illustrates these regions.

NSAA KOTTKE NATIONAL SURVEY REGIONAL MAP



Operating Resorts

The number of ski resorts in the United States has remained generally stable over the past decade. The following table summarizes the number of operating resorts by region.

Operating Resorts 2000 - 2013

Region	2012/13	2011/12	2010/11	2009/2010	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02	2000/01
Northeast	138	137	129	132	133	134	134	134	139	138	134	135	141
Southeast	50	51	56	56	55	55	55	53	54	54	51	53	53
Midwest	119	119	140	136	135	135	135	122	120	119	116	115	120
Rocky Mountain	96	94	90	93	92	96	94	92	93	93	96	93	96
Pacific Southwest	37	37	39	40	40	39	39	39	41	39	37	36	37
Pacific Northwest	38	37	35	36	35	35	35	38	38	39	39	39	39
Total	478	475	489	493	490	494	492	478	485	482	473	471	486

Source: Kottke National End of Season Survey 2012/13, Final Report July 2013, NSAA

By comparing the above figures to the skier visits it is evident that the Rocky Mountain resorts are much larger than those in the Northeast and Midwest as the region garners over 1/3 of the national skier visits with only 18 percent of the number of ski areas. This table indicates there are still many small family oriented areas that remain viable due to their broad demographic appeal, local accessibility and affordability. On an overall national basis, the percentage of skier/rider visits attributable to children aged 12 and has remained steady at around 14.1 percent. The fluctuation in the number of operating resorts is attributable to the many smaller family and community owned resorts with only one or two lifts. There have been many such resorts seeking funding or finding donations to remain operating.

Snowfall

Snowfall statistics for the last several years have been particularly demonstrative of the vulnerability of the winter sports industry to snowfall and weather conditions. The Lake Tahoe area is located in the Pacific Southwest Region as classified by NSAA.

Average Snowfall (Inches)				
Region	2012/13	2011/12	2010/11	2009/2010
Northeast	145	92	183	136
Southeast	68	29	69	107
Midwest	88	52	85	70
Rocky Mountain	225	216	351	261
Pacific Southwest	203	202	476	315
Pacific Northwest	405	489	515	415
Total	173	152	560	199

Source: Kottke National End of Season Survey 2012/13, Final Report 2013, NSAA

The above table illustrates the relatively low snowfall the past two years for all areas compared to the prior seasons. It also supports the reason there is no significant snowmaking at any of the resorts in the Pacific Northwest.

Peak Visits

Skier visits on peak days and weekends are an important gauge for planning, and managing, the peak visitation periods of the Christmas and New Years holiday's as well as the major long weekends of Martin Luther King Day, Presidents Day and spring break. Lift lines, mountain capacity parking and food and beverage outlets can become strained may result in constraint on skier visits. There are approximately 20 to 25 peak days and a total of 36 weekend days which includes days in the peak weeks of Christmas and New Years. It is noted, for example, that all of the skier visit growth which has occurred at Summit at Snoqualmie in the past five years has been on peak days. This resort has adequate parking capacity for these times but the other components are quite strained on these days. Parking actually constrains skier days on peak days at Stevens Pass. The following table summarizes the percentage of the skier visits on peak days and weekends.

% of Snowsports Visits on Peak Days/Weekends				
Region	2012/13	2011/12	2010/11	2009/2010
Northeast	68.5%	67.8%	68.2%	66.7%
Southeast	61.5%	59.7%	60.1%	61.8%
Midwest	63.4%	60.3%	61.6%	64.1%
Rocky Mountain	50.0%	48.5%	48.2%	48.3%
Pacific Southwest	63.0%	60.0%	60.4%	59.9%
Pacific Northwest	64.2%	63.7%	66.2%	62.7%
Total	58.3%	56.2%	56.9%	56.8%

Source: Kottke National End of Season Survey 2012/13, Final Report 2013, NSAA

The Northeast has had variable peaking patterns the past three seasons reflecting shifts in snow conditions on peak weekends. This past season the most peaks were in December and February which is in contrast to last season which was dominated by peak days in February. Half of the peak days in the Rocky Mountains was in December this past season with February second. The Pacific Southwest peaked in December due to early season snow which did not sustain throughout the season. The Pacific Northwest had a broad distribution of peaks with 50 percent of the areas showing peak days in December, 30 percent in February and 20 percent in January. This is a somewhat typical pattern in the region, usually with December the peak month.

Lessons

Lesson participation has been closely monitored by ski areas, particularly at the entry level. This component of the ski experience is a key element for attracting newcomers to snowsports and converting first-timers into committed, long term participants. Long term sustainable growth in snowsports participation is strongly tied to the "conversion" of entry level participants into "core" participants with repeated future visitation. The improvement of the lesson and rental experience will continue to be one area critical to the long term growth and survival of snowsports. New approaches and techniques are being implemented in this area. One example from a subject property is Sierra at Tahoe which has a contract with Lucas Entertainment for a Star Wars learning area. One of the concepts at work in this project is "terrain based learning" rather than the traditional ski wedge type beginning.

Total lesson volumes increased in the last season for most regions and size categories, with some notable exceptions. However, with total lessons up 2.1 percent and visitation up 10.3 percent the lesson participation rate declined to 7.8 percent of visits to 8.5 percent.

Lessons:Visits Ratios

Region	2012/13	2011/12
Northeast	8.8%	9.6%
Southeast	11.4%	11.3%
Midwest	9.5%	14.9%
Rocky Mountain	7.1%	7.7%
Pacific Southwest	7.0%	6.8%
Pacific Northwest	6.0%	5.7%
Total	7.8%	8.5%
Resort Size		
0 - 2,999 vtf/h	15.1%	26.0%
3,000 - 5,999 vtf/h	9.8%	9.3%
6,000 - 11,999 vtf/h	9.0%	9.2%
12,000+ vtf/h	6.9%	7.5%

Source: Kottke National End of Season Survey 2012/13, Final Report 2013, NSAA

The above table indicates the overall decline in the ratio of lessons to visits in the past season, although there were slight increases in the two areas of the Pacific West. It is significant to note the very high ratios in the smaller resort size range. This speaks to the accessibility and affordability of the small resorts to families and beginners. These are the areas which should be focused on for their ability to attract newcomers to the sport and convert them to core participants. This is likely some of the rationale for the recent acquisition of two small Midwest resorts by Vail Resorts. The lowest participation ratios are in the areas which tend to draw the more experienced skiers.

Snowmaking

Snowmaking technology has become much more efficient in the past decade. The need for snow making, or the ability to make snow, is highly variable by region. Overall the total number of acres covered by snowmaking has increased over the past four years from 977 acres to 992 acres. The amount of acreage versus the percentage of skiable terrain covered by snowmaking varies dramatically by region and resort size as illustrated in the following table

Acreage with Snowmaking					
Region	Avg. Acres/Resort	2012/13	2011/12	2010/11	2009/2010
Northeast	271	74.8%	73.8%	74.5%	72.7%
Southeast	108	98.0%	98.0%	98.0%	97.9%
Midwest	113	76.9%	77.5%	78.9%	79.7%
Rocky Mountain	239	12.8%	12.7%	12.8%	12.8%
Pacific Southwest	206	15.3%	15.3%	16.2%	16.7%
Pacific Northwest	34	1.5%	1.5%	1.5%	1.6%
Total	190	20.7%	20.6%	20.4%	20.5%
Resort Size					
0 - 2,999 vtf/h	78	51.000%	52.500%	52.2%	53.2%
3,000 - 5,999 vtf/h	237	47.800%	47.800%	47.8%	47.4%
6,000 - 11,999 vtf/h	819	19.600%	19.100%	18.9%	20.0%
12,000+ vtf/h	1,856	18.400%	18.400%	18.8%	18.6%

Source: Kottke National End of Season Survey 2012/13, Final Report 2013, NSAA

Capital Improvements

The Kottke Survey requested resorts to summarize capital expenditures for the last two seasons, plus the projected expenditures for the upcoming season (2013/14). There was a slight decline in total expenditures from $274 million in 2011/12 to $262 million in 2012/13, but the projections for the upcoming season are higher at $296 million. This increase is considered a willingness to continue to invest in making improvements to the mountain resort experience. The following table summarizes the capital expenditure trends and projections.

Capital Expenditure Trends & Projections (Millions)																		
Region	Northeast			Southeast			Midwest			Rocky Mountains			Pacific SW			Pacific NW		
Year	11/12	12/13	13/14	11/12	12/13	13/14	11/12	12/13	13/14	11/12	12/13	13/14	11/12	12/13	13/14	11/12	12/13	13/14
Overall Market	$69	$56	$149	$38	$38	$16	$10	$19	$11	$104	$104	$83	$38	$29	$18	$15	$17	$20
By Category																		
Summer/Fall Specific	$1	$3	$2	$3	$2	$2	$2	$0	$0	$2	$12	$8	$2	$4	$0	$1	$0	$0
Real Estate	$6	$7	$104	$14	$13	$4	$2	$1	$1	$20	$2	$3	$2	$1	$0	$0	$0	$0
On-Mountain	$49	$39	$37	$16	$22	$9	$5	$6	$4	$56	$68	$50	$32	$23	$13	$5	$10	$9
New/Upgraded Lifts	$13	$8	$7	$6	$1	$1	$1	$10	$6	$26	$21	$23	$2	$0	$5	$9	$7	$10

Source: Kottke National End of Season Survey 2012/13, Final Report 2013, NSAA

The above table illustrates similar trends from other factors already discussed. It has been acknowledged that the Rocky Mountains garner the largest market share of visitors with the smallest number of resorts due to the large scope of the resorts. All regions are projecting expenditures in the next season for On-Mountain Facilities and Support as well as new and upgraded lifts.

Ticket yield

Tracking lift ticket pricing and actual ticket yield is significant factor studied by most resorts. Average ticket yields are the ratio of total ticket and pass revenue to the number of downhill sports visits. As a means of comparison to other real estate the ticket yield is similar to the average daily rate in the hotel industry. Average adult weekend ticket prices increased 4.6 percent in the most recent season to $85.52. The larger increases in ticket pricing were noted in the Rocky Mountains (up 5.1%), Pacific Southwest (up 3.8%), and Southeast (up 3.1%). The Pacific Northwest (up 1.6%) was a smaller increase. The Northeast and Midwest had declines of 1.4 percent and

3.4 percent, respectively. The overall increase in ticket yield, combined with the overall increase in skier visits represents a positive trend for the industry. The following table summarizes the Average Adult Weekend Ticket Price.

Average Adult Weekend Ticket Pricing				
Region	2012/13	2011/12	2010/11	2009/2010
Northeast	$74.43	$73.28	$69.51	$67.60
Southeast	$68.11	$65.18	$62.85	$59.82
Midwest	$47.95	$47.72	$46.41	$45.65
Rocky Mountain	$101.26	$94.31	$88.28	$83.07
Pacific Southwest	$81.91	$78.34	$74.92	$71.06
Pacific Northwest	$68.64	$68.05	$60.81	$60.85
Total	$85.52	$81.78	$76.44	$72.61
Resort Size				
0 - 2,999 vtf/h	$39.70	$39.01	$38.29	$38.13
3,000 - 5,999 vtf/h	$56.56	$55.47	$53.96	$53.28
6,000 - 11,999 vtf/h	$64.59	$61.74	$59.84	$57.30
12,000+ vtf/h	$98.50	$93.37	$87.65	$82.92

Source: Kottke National End of Season Survey 2012/13, Final Report 2013, NSAA

The range of ticket pricing above illustrates the pricing of the larger resorts which are mostly in the Rocky Mountain and Pacific Southwest (Lake Tahoe area and Mammoth). In addition the pricing by resort size is progressive and illustrates the impact of the larger scope resorts with the greater capital investment. Over the last four years the average ticket price has increased from $72.61 to $85.52 which is a 4.2 percent compound annual increase. Having broken $100 in average pricing in the Rocky Mountain region the on-going affordability of the sport is becoming more onerous and is likely to restrict the growth of skier visits.

The following table summarizes the ticket yields and ticket yield ratios. It is noted overall ticket yields have increased over the past four years from $37.54 to $42.06 which equates to a compound annual increase of 2.9 percent which is below the 4.2 percent growth in ticket pricing noted above. This is an indication that expenses are perhaps rising at a rate greater than ticket pricing.

The overall ticket ratios have fluctuated closely around 50 percent for the last four seasons. It is interesting to note that the Southeast and Pacific Southwest seem to experience substantially higher ticket yields. Slightly higher ticket yields are also seen among the mid-sized resorts with lower ratios indicated by the larger and smaller resort spectrums.

Ticket Yields								
	Average Ticket Yield				Average Ticket Yield Ratio			
Region	2012/13	2011/12	2010/11	2009/2010	2012/13	2011/12	2010/11	2009/2010
Northeast	$35.18	$35.69	$33.91	$33.71	47.3%	48.7%	48.8%	49.9%
Southeast	$39.16	$38.00	$38.36	$37.20	57.5%	58.3%	61.0%	62.1%
Midwest	$22.15	$22.93	$22.42	$21.91	46.2%	48.0%	48.3%	48.0%
Rocky Mountain	$47.44	$45.13	$40.92	$41.19	46.8%	47.9%	46.4%	49.6%
Pacific Southwest	$46.69	$45.00	$40.36	$39.54	57.0%	57.4%	53.9%	55.6%
Pacific Northwest	$33.06	$32.55	$31.39	$31.22	48.2%	47.8%	51.6%	51.3%
Total	$42.06	$40.88	$37.73	$37.54	49.2%	50.0%	49.4%	51.7%
Resort Size								
0 - 2,999 vtf/h	$18.56	$18.33	$18.10	$18.22	46.8%	47.0%	47.3%	47.8%
3,000 - 5,999 vtf/h	$30.25	$29.96	$29.37	$29.66	53.5%	54.0%	54.4%	55.7%
6,000 - 11,999 vtf/h	$32.78	$31.68	$28.83	$28.49	50.7%	51.3%	48.2%	49.7%
12,000+ vtf/h	$47.76	$46.10	$43.01	$42.89	48.5%	49.4%	49.1%	51.7%

Source: Kottke National End of Season Survey 2012/13, Final Report 2013, NSAA

General Trends

Following is a summary of the trends discussed above.

- Due to the record poor season in 2011-2012 the 2012-2013 season represented the largest year-over year increase in skier days (11.7 percent) in 30 years. Visits were up across the board in all markets and resort categories. This increase occurred in spite of what was regarded as only marginally better snowfall than the previous year.
- The number of operating resorts increased by four.
- Snowfall improved but remained below average.
- Average days open increased to 125 days from 118 days.
- Overnight visitation continued its slow steady climb as overnight visitation accounted for 49.2 percent of skier visits, up from 48.2 percent.
- International visitation dropped slightly to 5.8 from 5.9 percent.
- Visitation by children and teens dropped slightly from 28.5 to 28.1 percent. This is a key factor being watched as it remains critical to the long-term health of the industry.
- The proportion of summer/fall visits accounted for 11.1 percent of total annual resort revenue which was essentially stable with the prior season.
- Paid tickets rose in proportionate terms as season pass visitation declined.
- Ticket prices and ticket yields were up but the ticket yield ratio declined with average adult weekend ticket prices at $85.52 were an increase over the prior year with average ticket yield up 2.9 percent to $42.06.
- Total number of ski lessons increased but declined as a share of visits.
- Capital expenditures are expected to increase from $262 million last year to $296 million this year which indicates continued confident in the industry.

Conclusion

The last three ski seasons provide an acute example of the vulnerabilities of the ski industry to the forces of nature. After a record snowfall resulting in record skier visits in the 2010/11 season the 2011/12 season was the opposite and was a record low in 34 years of record keeping. And the most recent season saw an 11.1 percent increase in what was still a marginal year with below average snowfall. Overall the upside ins skiing is still evident and the overall long term trends appear stable. The threats to the industry are flat youth participation and a decrease in Level 1 lesson participation. In other words the industry needs to do better at cultivating new participants in order to insure long-term success. Climate change continues to be a concern for the industry as well.

DEMOGRAPHICS STUDY

We have reviewed the NSAA National Demographic Study 2012/13 which was published in August 2013 to analyze the current trends of the underlying demand for downhill snowsports. This publication is closely watched as it reveals some trends which are core to the future of the ski industry as it relates to maintaining or growing skier visits. The Baby Boomer generation (born between 1946 and 1964) has had its impact on the ski industry as it has on many other parts of our modern culture. The ski industry grew and blossomed due to this generation. However, this generation is aging out of snowsports participation.

Age

According to the Demographic Study there has been a consistent trend toward an older skier/snowboarder as the average age rose from 37.4 to 38.5 this past season. The long term aging trend has been primarily due to increases in the proportion of visitors 45 years and older, with concurrent declines in the proportions from most other younger age groups. Specifically since 1997/98 the proportion of visitors aged 45 – 54 has increased from 14.0 percent to 19.8 percent; aged 55 -64 has increased from 4.6 to 11.7 percent; and aged 65 from 2.4 to 5.5 percent. The loyalty and staying power of these age groups has benefitted the industry. The cause for concern of this aging cohort is that there is not strong growth following in the younger age cohorts. By contrast over the same time period since 1997/98 the proportion of visitors aged 35 – 44 has declined from 23.6 percent to 19.8 percent; aged 25 -34 has dropped from 24.8 to 20.3 percent and aged 24 and under has declined from 30.6 percent to 22.8 percent.

This dynamic of an aging participant base has been the rationale for the National Ski Area Association to initiate the Model For Growth to assist and encourage mountain resorts to put emphasis on attracting newcomers to snowsports, and “converting” beginners into committed on-going participants. In May 2000 the Model for Growth was introduced to identify and quantify the impacts of various obstacles that needed to be overcome to increase snowsports visits. The goal of the model was to grow the sport by 10 percent. The primary obstacles were listed as follows.

- Time Poverty
- Increased alternative leisure activities
- An overweight population
- Climate change

The model was intended to not only draw first time visitors, but to convert them to into long term core participants. The conversion rate had historically been about 15 percent of first-timers turning into long time participants. The mountain resort industry responded in by developing a variety of “hardware” methods to address these issues such as the following.

- State of the art learning centers
- Ticket/Lesson/Equipment deals
- Increased attention to beginner equipment
- Employee incentives

These efforts enjoyed some success and a Phase II of the model was implemented to sustain momentum. It was noted that the model had actually maxed out at some resorts, particularly at peak times or those close to urban centers. Phase II was implemented to address the ‘software issues” noted to be the intangible parts of conversion and the “golden hour” between trial and conversion. There is on-going research with panels of ski school managers and directors as well as panels of recent consumers to create a manual of best practices. The results remain to be seen and thus this issue will continue to be of concern for all industry participants.

Marital/Family Status

Nationally the survey revealed about 48.2 percent of skiers and snowboarders are part of a family with children at home. The second largest segment is singles without children representing 24 percent of snowsports participants. The participation of households with children has been on an upward growth trend for the last ten years growing from 30.8 to 39.1 percent. However this trend as slowed and possibly begun to plateau in the last two seasons. Conversely the single without children market segment has declined from 27 to 24 percent which is indicative of the age shifts discussed above.

Gender

There has been modest growth in female participation the past few seasons to 41.8 percent which is up slightly from the 38.9 to 41 percent range of the past few years. Females have historically been underrepresented in snowsports and represent a market segment targeted for some growth potential. The industry is working to identify ways to better meet the interests and circumstances of girls and women in the teen years through the mid-thirties which are the age groups with the least participation.

Race/Ethnicity

Ethnic/racial minority groups represent an important potential growth opportunity for the industry as they are significantly underrepresented. This market segment was about 11.7 percent of the skier visits in the last season which is low compared to their representation of 37 percent of the U.S. population in 2012. This population segment is also projected to have significant growth in the future. The age cohort from this segment is also favorable for industry growth as it is focused in the 10 to 35 year old bracket. The Pacific Southwest has the greatest diversity with 20 percent of the skier visits in this segment, followed by the Pacific Northwest. The Pacific Southwest and Northwest markets have the highest concentration of Asian visitors while the Southeast has the greatest participation from African American visitors.

Household Income

Household income is closely related to numerous demographic, skiographic, and trip characteristics. No surprise that the most affluent skiers/riders skew to the older ages, particularly 35 to 64. Higher income households tend to ski with their children and significant other, use alpine equipment, take overnight ski trips with longer stays, and fly. The lower income skiers/riders tend to be younger, mostly in the 18 to 34 year range, and single, taking day trips with friends. The Rocky Mountains, Northeast and Pacific Southwest have the greatest concentration of affluent skiers.

There is a broad income distribution among the skier/snowboarder population although it skews significantly more affluent than the general population. This is illustrated in the following table.

Snowsports Household Incomes		
Income Bracket	% of Vistitation	% of U.S. Population
Under $50,000	21.0%	49.0%
$50,000 - $99,999	25.0%	30.0%
$100,000 - $199,999	33.0%	17.0%
Over $200,000	21.0%	4.0%

Source: NSAA National Demographic Study 2012/13

Affordability of snowsports will be an ongoing challenge and will likely represent a barrier to significant growth in visitation. This limitation would apply mostly to the larger resorts with higher lift ticket prices in destination locations. Most recently the average spend per day, which includes lift tickets, food, lessons, equipment rental and retail purchases rose from $100 to $102. As an indication of the impact of the economy on the industry it is noted the large drop in this amount from $110 in 2007/08 to $90 in 2008/09 which clearly coincided with the great recession.

Geographic Origin

The geographic origin of the skier visits tend to follow the logical geographic proximity. For New England 72.1 percent of their visitors come from the Northeast Kottke Census area of the New England and Middle Atlantic states; 68.7 percent of the Midwest visits were from that region; 33.3 percent of the Southeast region skier visits were local while 54.3 percent went to the Rocky Mountains; Rocky Mountain residents did most of their skiing in their region, 92.7 percent; and the same for the Pacific Region but at a lesser amount of 51.6 percent.

Overseas and international visitation is another area considered to be a good potential for growing snowsports visitation. In particular tourism and skiing have become a strong growth market in China. Most foreign visitation was oriented to the large destination resorts in the Rocky Mountains, 48.7 percent; with the Northeast second at 31.6 percent of this market.

Reference is made to the following table which outlines the geographic regions defined by the Kottke Survey and the respective ski visits associated with each region.

Geographic Origin of Skiers/Snowboarders by NSAA Resort Region
2012/13 "Enhanced" Data
Cells Greater than 20 Percent are Highlighted

Place of Residence (U.S. Census Region & Division)	All Resorts	RESORT LOCATION (NSAA REGION)* Northeast Resorts	Southeast Resorts	Midwest Resorts	Rocky Mtn Resorts	Pac SW Resorts	Pac NW Resorts	Percent of US Pop'n (2012)
Northeast Census Region								
New England Census Division (CT, ME, MA, NH, RI, VT)	13.0%	50.6%	0.5%	0.2%	2.7%	0.8%	0.4%	4.6%
Middle Atlantic Census Division (NJ, NY, PA)	15.1%	35.8%	48.5%	0.1%	5.8%	1.5%	1.0%	13.1%
Subtotal	*28.1%*	*86.3%*	*49.0%*	*0.3%*	*8.6%*	*2.2%*	*1.4%*	*17.8%*
Midwest Census Region								
East North Central (IL, IN, MI, OH, WI)	11.9%	2.7%	2.1%	65.5%	7.1%	1.5%	0.5%	14.8%
West North Central (IA, KS, MN, MO, NE, ND, SD)	5.6%	0.1%	0.1%	28.4%	5.2%	0.5%	0.5%	6.6%
Subtotal	*17.5%*	*2.8%*	*2.2%*	*93.9%*	*12.3%*	*2.0%*	*1.1%*	*21.4%*
South Census Region								
South Atlantic (DE, DC, FL, GA, MD, NC, SC, VA, WV)	7.9%	2.1%	43.5%	0.9%	8.6%	2.2%	0.8%	19.5%
East South Central (AL, KY, MS, TN)	1.3%	0.1%	3.3%	1.8%	1.8%	0.6%	0.1%	5.9%
West South Central (AR, LA, OK, TX)	3.7%	0.1%	0.3%	0.5%	9.6%	1.4%	0.5%	11.9%
Subtotal	*12.8%*	*2.3%*	*47.1%*	*3.1%*	*20.0%*	*4.2%*	*1.5%*	*37.4%*
West Census Region								
Mountain (AZ, CO, ID, MT, NV, NM, UT, WY)	16.6%	0.2%	0.1%	0.3%	44.2%	8.0%	1.3%	7.2%
Pacific (CA, OR, WA, AK, HI)	19.2%	0.4%	0.4%	0.3%	6.7%	79.0%	92.0%	16.2%
Subtotal	*35.8%*	*0.6%*	*0.4%*	*0.6%*	*51.0%*	*87.0%*	*93.3%*	*23.4%*
Overseas/International								
US overseas—armed forces, Samoa, VI, PR, etc.	0.1%	0.2%	0.1%	0.0%	0.1%	0.2%	0.2%	N/A
International	5.7%	7.6%	1.2%	2.1%	8.1%	4.4%	2.5%	N/A
Subtotal	*5.8%*	*7.9%*	*1.3%*	*2.1%*	*8.2%*	*4.6%*	*2.7%*	*N/A*
Grand Total	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*

*NSAA resort regions are defined as follows:
Northeast: CT, MA, ME, NH, NY, VT, RI
Southeast: AL, GA, KY, MD, NC, NJ, PA, TN, VA, WV
Midwest: IA, IL, IN, MI, MN, MO, ND, NE, OH, SD, WI
Rocky Mountain: CO, ID, MT, NM, UT, WY
Pacific Southwest: AZ, CA, NV
Pacific Northwest: AK, OR, WA

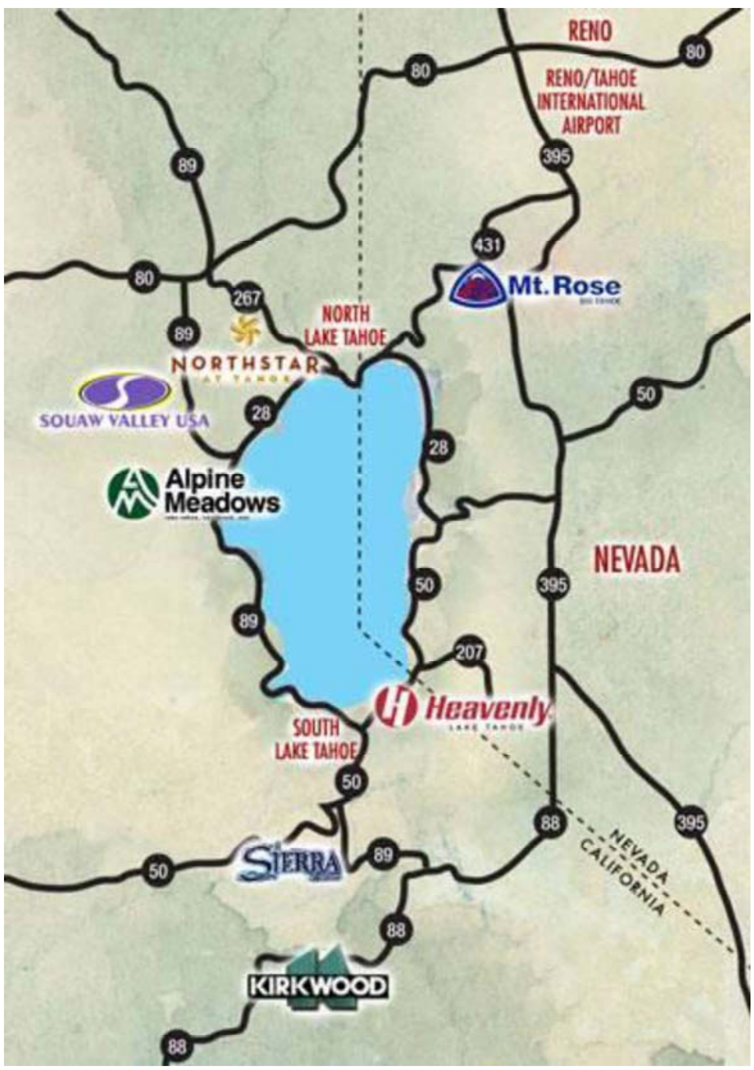
REGIONAL SKI MARKET ANALYSIS – LAKE TAHOE

This section of the report analyzes the skier visits in this area as well as the demographics of the feeder area for these resorts. It is noted that the most recent 2013 – 2014 ski season was not a good snow year for the Lake Tahoe area. Many resorts had a significantly abbreviated season and have minimal snow for operations. Actual visitation figures for the most recent season had not been released as of the date of appraisal.

LAKE TAHOE AREA RESORTS

Many resorts in the Pacific West region are generally smaller in scope than resorts in the Rocky Mountains (Colorado, Utah, Wyoming and Idaho) and have experienced less investment of capital in base facilities, on-mountain improvements and real estate development compared to larger resorts in the Rocky Mountains. The Lake Tahoe area has some of the larger resorts in the Pacific West region including Squaw Valley and Heavenly. The proximity of strong feeder and drive-in markets in Sacramento and San Francisco has spurred much of the recent capital investment in the Lake Tahoe area resorts. There are 15 alpine ski resorts in the Lake Tahoe Region. These resorts range from small community resorts to world-class resort destinations.

The map below shows the locations of the larger ski resorts in the Lake Tahoe area.



The following table contains an inventory of the area resorts, including the number of lifts and general location in the Lake Tahoe region.

Lake Tahoe Area Ski Resorts				
Resort	Location	No. of Lifts	No. of Runs	Skiable Acres
Alpine Meadows	5 mi. west of Tahoe City	14	100+	2,400
Heavenly	South Lake Tahoe	30	94	4,800
Kirkwood	35 mi. south of South Lake Tahoe	15	65	2,300
Mt. Rose	7 mi. northeast of Incline Village	8	62	1,200
Northstar	**4 mi. south of Truckee**	**20**	**97**	**3,170**
Sierra at Tahoe	12 mi. south of South Lake Tahoe	14	46	2,000
Squaw Valley	11 mi. south of Truckee	30	170+	3,600
Soda Springs	8 mi. east of Truckee	2	15	na
Boreal	9 mi. west of Truckee	8	41	480
Sugar Bowl	10 mi. west of Truckee	13	103	1,650
Donner Ski Ranch	10 mi. west of Truckee	6	na	500
Tahoe Donner	Truckee	4	18	na
Granlibakken	South of Tahoe City	2	na	74
Homewood	3 mi. south of Tahoe City	8	64	1,260
Diamond Peak	Incline Village, NV	6	30	655

Of the Tahoe area resorts listed above, Heavenly and Squaw Valley are by far the largest. Squaw Valley is among the most notable in the vicinity as it is famous for its vast and challenging terrain as well as hosting the 1960 Winter Olympic Games. The next tier of resorts is represented by Alpine Meadows, Northstar California, Homewood and Kirkwood, all of which are quality resorts oriented toward family skiing. However, recent improvements at Northstar and have significantly elevated the ski experience at that resort and it has moved more into the upper tier of the area resorts. Alpine Meadows has long been a local favorite and is now owned by Squaw Valley and the affiliation will create a good synergy for increased skier visits to this area. After recently purchasing Kirkwood Resort, Vail Resorts now owns three Lake Tahoe area resorts including Heavenly, Northstar, and Kirkwood. This common ownership has created a competitive dynamic in the area as it relates to a season pass and flexibility to the passholders as to several mountains.

Skier Days

Following is an analysis of skier days and market share for California in the Lake Tahoe area.

California Market Share

The following table summarizes the skier days in the Pacific Southwest submarket and the state of California. We have and the subject, as well as the subject's market capture rates.

California - Skier Visit Market Share Comparison 2009/10 - 2012/13					
Season	U.S. Total	Pacific Southwest	Pac SW % of U.S.	California Skier Visits	California % of SW
2012/13	56,904	7,140	12.5%	6.32	88.5%
2011/12	50,966	6,066	11.9%	5.47	90.1%
2010/11	60,540	8,111	13.4%	7.37	90.8%
2009/10	59,787	8,411	14.1%	7.52	89.4%
Average	57,049	7,432	13.0%	6.67	89.7%

Source: Kottke National End of Season Survey, NSAA, and subject management

The above table indicates some fluctuations in market share for the Pacific Southwest Region, California, and the subject. It is noted that the Kottke Survey used to track the Pacific Northwest and Pacific Southwest as a single market, the Pacific West. It has only tracked the Pacific Southwest for the past four years. The Pacific Southwest represents a modest market nationally garnering an average of 13 percent market share over the past four years, with California representing an average of 89.7 percent of the Pacific southwest skier days.

COMPETITIVE SKI AREA MAP

Competition

Northstar is a competitor in the Lake Tahoe market. However, each resort has a significantly different geographic orientation and Homewood remains in the more modest second tier of the resorts. Geographically, Northstar is located north of Lake Tahoe and competes directly with Alpine Meadows and Squaw for the skier visits coming from the San Francisco area. In terms of scope of resort and the family orientation the primary competition would also include Heavenly, Homewood, and Sierra at Tahoe.

Competitve Resort Summary - Sierra at Tahoe

	Base Elevation	Skiable Terrain	Terrain Class Beg/Int/Adv	No. of Trails	No. of Lifts
Sierra at Tahoe	6,640	2,000	25/50/25	46	14
Northstar	6,330	3,170	13/60/27	97	20
Heavenly	6,565	4,800	20/45/35	94	30
Alpine Meadows	6,835	2,400	25/40/35	100	14
Squaw Valley	6,200	3,600	25/45/30	170	30

Pricing

The following table summarizes the pricing tables for the competitive resorts shown in the above summaries.

Lake Tahoe Area - Competitive Ticket Pricing Summary					
Full Day Lift Ticket	Northstar	Sierra at Tahoe	Alpine Meadows	Squaw Valley	Heavenly
Adult	$99	$84	$95	$86	$90
Youth	$90	$74	$82	$74	$85
Senior	$90	$55	$82	$74	$85
Child	$62	$25	$55	$50	$51
Super Senior	$90	$31	$55	$50	N/A
Season Passes					
Adult	$389 - $689	$389	$519 - $809	$519 - $809	$2,350
Youth	$309 - $409	$289	$369 - $639	$369 - $639	$995
Senior	$309	$129	$369 - $639	$369 - $639	$1,850
Child	$189 - $369	$129	$269 - $339	$269 - $339	$995
Super Senior	$309	$129	$269 - $339	$269 - $339	$1,850
College	$309 - $479	$289	$419	$419	$1,050

At $99 Northstar fits in the upper tier of pricing.

Northstar-at-Tahoe

Northstar was developed as a master planned, year-round resort community in the 1970's. In addition to the ski resort there is an 18-hole golf course and a base area village. Northstar is somewhat unique in the ski resort industry in that all of the land is privately owned by the resort owner and operator. Booth Creek Ski Holdings Inc., purchased the resort in 1996 and recently sold the resort to Vail Associates in 2010. Vail also owns and operates Heavenly Ski area in South Lake Tahoe. The lift tickets and passes at Heavenly are also now valid at Northstar which is an attractive feature for those resorts. Typically, resorts in the U.S. are operated on land leased from the USDA Forest Service, with only a small percentage of privately owned land available for development. The private ownership situation at Northstar-at-Tahoe allows for large-scale development opportunities, as well as increased ski terrain.

Since 2005 Northstar has been undergoing a major redevelopment in partnership with East West Partners. A new base village with retail, skier services, condominium units and public amenities was recently completed. In conjunction with the real estate development occurring at Northstar, Booth Creek was implementing a $50 million Mountain Improvement Plan which included new ski lifts, increased snow making to cover 50% of the total groomed trails at the resort and ski terrain expansion. Some the plan was completed and was intended to address the anticipated increase in skier days driven by the increased lodging base resulting from the redevelopment by East West Partners. The plan is also intended to elevate the overall ski experience at Northstar to make it competitive with larger western resorts. Since Vail Resorts purchased Northstar in October 2010 they have invested $30 million in on mountain improvements including the Zephyr Lodge and the Promised Land lift providing for expansion of terrain.

Following is a discussion of the other ski areas most competitive with Northstar. It is noted that Alpine Meadows and Squaw Valley merged operations in November 2011. KSL Capital Partners, owners of Squaw Valley, and JMA Ventures, formed Squaw Valley Ski Holdings, LLC, the new parent company of both Squaw Valley and Alpine Meadows

Alpine Meadows

Alpine Meadows is one of the larger more established resorts in the area and caters to enthusiasts due to its challenging natural terrain and open bowl skiing. Alpine used to be regarded as less “sexy” and received less notoriety than its neighbor Squaw Valley, retained a loyal following over the years. Alpine Meadows is operated on USFS leased land and does not have a significant bed base to accommodate overnight destination visitors. This has limited the resort’s ability to compete with Squaw Valley and Northstar, which have both experienced base village redevelopment in the last 10 years with new retail, services and condominium projects. The merger with Squaw Valley and the shuttle connection between the two has created a good ski opportunity for both resorts.

Squaw Valley

Squaw Valley is one the foremost ski resorts in North America due to its vast, challenging terrain and lift network and having hosted the 1960 Winter Olympic Alpine Skiing events. Squaw Valley is privately owned, however there has been significant base village development at the resort by Intrawest including approximately 80 retail shops and 290 units. Intrawest is credited with founding the modern ski base village concept with the development of Whistler Resort in British Columbia. Squaw Valley is also operated on leased land. The merger with Alpine Meadows in November 2011 create a more diverse ski experience opportunity which is marketed as the Tahoe Super Pass.

Heavenly

Located in South Lake Tahoe astride the state border of California and Nevada, Heavenly is among the largest resorts in Lake Tahoe in terms of skiable terrain, number of lifts and overall scope among the competitive resorts. Historically, Heavenly has been among the more frequently visited resorts in the region. Heavenly is one of the few resorts in the area with good lake views. Under the ownership of Vail Resorts Heavenly affiliates with Kirkwood and Northstar with regards to season pass privileges. Its location at the south end of the lake is somewhat of a geographic liability as it relates to the majority of the traffic from San Francisco which usually travels on Interstate 80 well north of the lake.

Conclusion

The Lake Tahoe region has the largest concentration of ski areas in North America, ranging from mostly small, family oriented resorts to an Olympic caliber destination resorts. Overall, the Lake Tahoe area resorts have followed national trends in the stabilization of skier days over the last ten years. Recently, there has been a trend of intensive capital investment in the region's resort lodging, amenities and infrastructure, illustrated by the recent development at Northstar-at-Tahoe by East West Partners. East West Resorts emerged from bankruptcy in July 2010 and continue to develop good quality product which has ski access to Northstar. The development of the Village at Northstar, Mountainside View Road, the Ritz-Carlton as well as the on mountain improvements have resulted in an investment of over $1.0 billion in Northstar over the last nine years. The Lake Tahoe area resorts have some of the most direct access to a major airport by virtue of the Reno/Tahoe International Airport approximately 35 miles east of Truckee on Interstate 80. Furthermore the Lake Tahoe ski resorts are within a 4-hour drive to large metropolitan areas such as the Bay Area (San Francisco, Oakland, San Jose) and Sacramento.

TRADE AREA OVERVIEW

A ski areas trade area contains people who are likely to patronize that particular resort, and its ability to draw these people comes from the strength of the product. Customers are drawn by a quality experience on the mountain as well as the surroundings.

To define and analyze the market potential for the Lake Tahoe resorts, we must first establish the boundaries of the trade area from which customers will be drawn. In some cases, defining the trade area may be complicated by the existence of other resorts in trade areas that are not clearly defined or whose trade areas overlap with that of the subject.

Once the trade area is defined, the area's demographics and economic profile can be analyzed, providing key insight into the area's potential for the subject.

TRADE AREA ANALYSIS

We considered several factors in defining boundaries for the subject's trade area. First, the property's location with respect to transportation provides the basis for regional access to the area. Second, competition and geographic boundaries help to define the potential size of the trade area as a measure of distance from the property. Third, pricing, terrain mix, and other programs provide the basic draw of customers that are likely to patronize the property.

Northstar is relatively proximate to Sacramento and San Francisco and benefited by good regional and local accessibility, as well as the proliferation of peripheral draws. Major roadway proximity provides the necessary access to more regional destinations throughout the area.

We analyzed the subject's trade area based on our discussion with market participants and the management of the respective resorts. Basically the subject resorts and their primary competitors all draw from the same feeder market although Northstar draws more from the north and not as much from the south. Using these observations, we analyzed a primary demographic profile for the subject resorts based on a radius of approximately 100-mile miles from the property. To add perspective to this analysis, we segregated our survey into 50 and 100-mile concentric circles with a comparison to the Sacramento-Stockton DMA, San Francisco DMA, state, and the United States. This data is presented in the following table.

DEMOGRAPHIC SUMMARY								
			50.0-mile Radius	100-mile Radius	Sacramento - Stoc. DMA	San Francisco DMA	State of California	United States
POPULATION STATISTICS								
2010			1,560,165	11,987,279	4,034,667	7,035,897	37,253,679	308,725,722
2013			1,601,410	12,326,814	4,130,975	7,231,243	38,199,560	314,841,431
2018			1,672,194	12,900,698	4,300,131	7,562,616	39,836,497	325,300,953
Compound Annual Change								
2010	-	2013	0.87%	0.94%	0.79%	0.92%	0.84%	0.66%
2013	-	2018	0.87%	0.91%	0.81%	0.90%	0.84%	0.66%
HOUSEHOLD STATISTICS								
2010			492,053	4,199,966	1,414,794	2,579,967	12,577,326	116,705,436
2013			502,598	4,315,975	1,444,928	2,654,040	12,883,814	119,195,327
2018			523,234	4,520,502	1,502,715	2,782,175	13,444,817	123,394,220
Compound Annual Change								
2010	-	2013	0.71%	0.91%	0.70%	0.95%	0.81%	0.71%
2013	-	2018	0.81%	0.93%	0.79%	0.95%	0.86%	0.69%
AVERAGE HOUSEHOLD INCOME								
2000			$51,397	$73,132	$56,910	$83,761	$65,619	$56,674
2013			$63,287	$92,467	$71,113	$106,881	$83,189	$69,636
2018			$62,836	$97,436	$71,838	$114,275	$85,889	$71,916
Compound Annual Change								
2000	-	2013	7.18%	8.13%	7.71%	8.46%	8.23%	7.11%
2013	-	2018	-0.14%	1.05%	0.20%	1.35%	0.64%	0.65%
OCCUPANCY								
Owner Occupied			59.63%	56.96%	61.69%	55.90%	55.87%	65.00%
Renter Occupied			40.37%	43.04%	38.31%	44.10%	44.13%	35.00%

SOURCE: Claritas, Inc.

POPULATION

Having established the subject's trade area, our analysis focuses on the trade area's population. Claritas, Inc. provides historical, current and forecasted population estimates for the total trade area. Patterns of development density and migration are reflected in the current levels of population estimates.

Between 2010 and 2013, Claritas, Inc., reports that the population within the primary trade area (100-mile radius) increased at a compound annual rate of 0.94 percent. This trend is expected to continue into the near future albeit at a slightly slower pace. This same trade area population is expected to increase by 0.91 percent per annum over the next five years.

HOUSEHOLDS

A household consists of a person or group of people occupying a single housing unit, and is not necessarily a family unit. When an individual purchases goods and services, these purchases are a reflection of the entire household's needs and decisions, making the household a critical unit to be considered when reviewing market data and forming conclusions about the trade area as it impacts the resort market.

Figures provided by Claritas, Inc. indicate that the number of households are increasing at a faster rate than the growth of the population. Several changes in the way households are being formed have caused this acceleration, specifically:

- The population is living longer on average. This results in an increase of single-and two-person households;
- Higher divorce rates have resulted in an increase in single-person households; and
- Many individuals have postponed marriage, also resulting in more single-person households.

According to Claritas, Inc., the Primary Trade Area grew at a compound annual rate of .91 percent between 2010 and 2013. Consistent with national trends the trade area is experiencing household changes at a rate that varies from population changes. That pace is expected to continue through 2018, and is estimated at 0.93 percent.

We analyzed the retail trade history and profile of the subject's region and primary trade area in order to make reasonable assumptions regarding the continued performance of the property.

A metropolitan and location overview was presented which highlighted important points about the study area. Demographic and economic data specific to the trade area were also presented. Marketing information relating to these sectors was presented and analyzed in order to determine patterns of change and growth as it impacts the subject resorts. Overall both the subject properties in northern California are competitive and are likely to continue capturing their historical market share of skier visits in the market area.

TRADE AREA INCOME

Income levels, either on a per capita, per family or household basis, indicate the economic level of the residents of the trade area and form an important component of this total analysis. Average household income, when combined with the number of households, is a major determinant of an area's retail sales potential.

Trade area income figures for the subject support the profile of a broad middle-income market. According to Claritas, Inc. average household income in the primary trade area in 2013 was approximately $92,467, 86.5 percent of the CBSA average ($106,881) and 111.2 percent of the state average ($83,189).

Further analysis shows a relatively broad-based distribution of income, although skewed toward the lower income brackets similar to the distribution within the larger CBSA. This information is summarized as follows:

DISTRIBUTION OF HOUSEHOLD INCOME						
Category	50.0-mile Radius	100-mile Radius	Sacramento - Stoc. DMA	San Francisco DMA	State of California	United States
Median Income	$46,782	$51,667	$53,760	$73,349	$57,920	$49,231
$500,000 +	0.39%	0.40%	0.37%	2.19%	1.11%	0.67%
$200,000 to $499,999	2.14%	2.74%	2.88%	8.48%	4.88%	3.19%
$150,000 t0 $199,999	3.43%	4.52%	4.95%	9.01%	6.10%	4.21%
$125,000 to $149,000	2.80%	4.21%	4.69%	6.90%	5.32%	4.07%
$100,000 to $124,999	7.16%	8.15%	8.52%	10.18%	8.84%	7.35%
$75,000 to $99,999	12.29%	12.71%	12.97%	12.30%	12.36%	11.73%
$50,000 to $74,999	18.77%	18.72%	18.83%	15.69%	17.49%	18.11%
$35,000 to $49,999	15.32%	14.46%	14.07%	10.75%	13.01%	14.35%
$25,000 to $34,999	12.10%	11.02%	10.61%	7.20%	9.41%	10.94%
$15,000 to $24,999	11.88%	11.04%	10.58%	7.90%	10.11%	11.58%
Under $15,000	13.72%	12.03%	11.54%	9.40%	11.37%	13.81%

Source: *Claritas, Inc.*

The previous chart indicates a large population of upper income residents in the San Francisco DMA with nearly 20 percent (19.68%) of the population with income levels over $150,000 versus 8.07 percent in the U.S. This is a very favorable demographic for the ski areas in the Lake Tahoe region providing quite a large market segment with adequate income to support their desire for downhill snowsports.

Conclusion

The Lake Tahoe region has the largest concentration of ski areas in North America, ranging from mostly small, family oriented resorts to an Olympic caliber destination resorts. Overall, the Lake Tahoe area resorts have followed national trends in the stabilization of skier days over the last ten years. Recently, there has been a trend of intensive capital investment in the region's resort lodging, amenities and infrastructure, illustrated by the recent development at Northstar-at-Tahoe by East West Partners. East West Resorts emerged from bankruptcy in July 2010 and continue to develop good quality product which has ski access to Northstar. The development of the Village at Northstar, Mountainside View Road, the Ritz-Carlton as well as the on mountain improvements have resulted in an investment of over $1.0 billion in Northstar over the last nine years. The Lake Tahoe area resorts have some of the most direct access to a major airport by virtue of the Reno/Tahoe International Airport approximately 35 miles east of Truckee on Interstate 80 and approximately 55 miles north of the subject via US Highways 50 and 395. Furthermore the Lake Tahoe ski resorts are within a 4-hour drive to large metropolitan areas such as the Bay Area (San Francisco, Oakland, San Jose) and Sacramento.

SITE DESCRIPTION

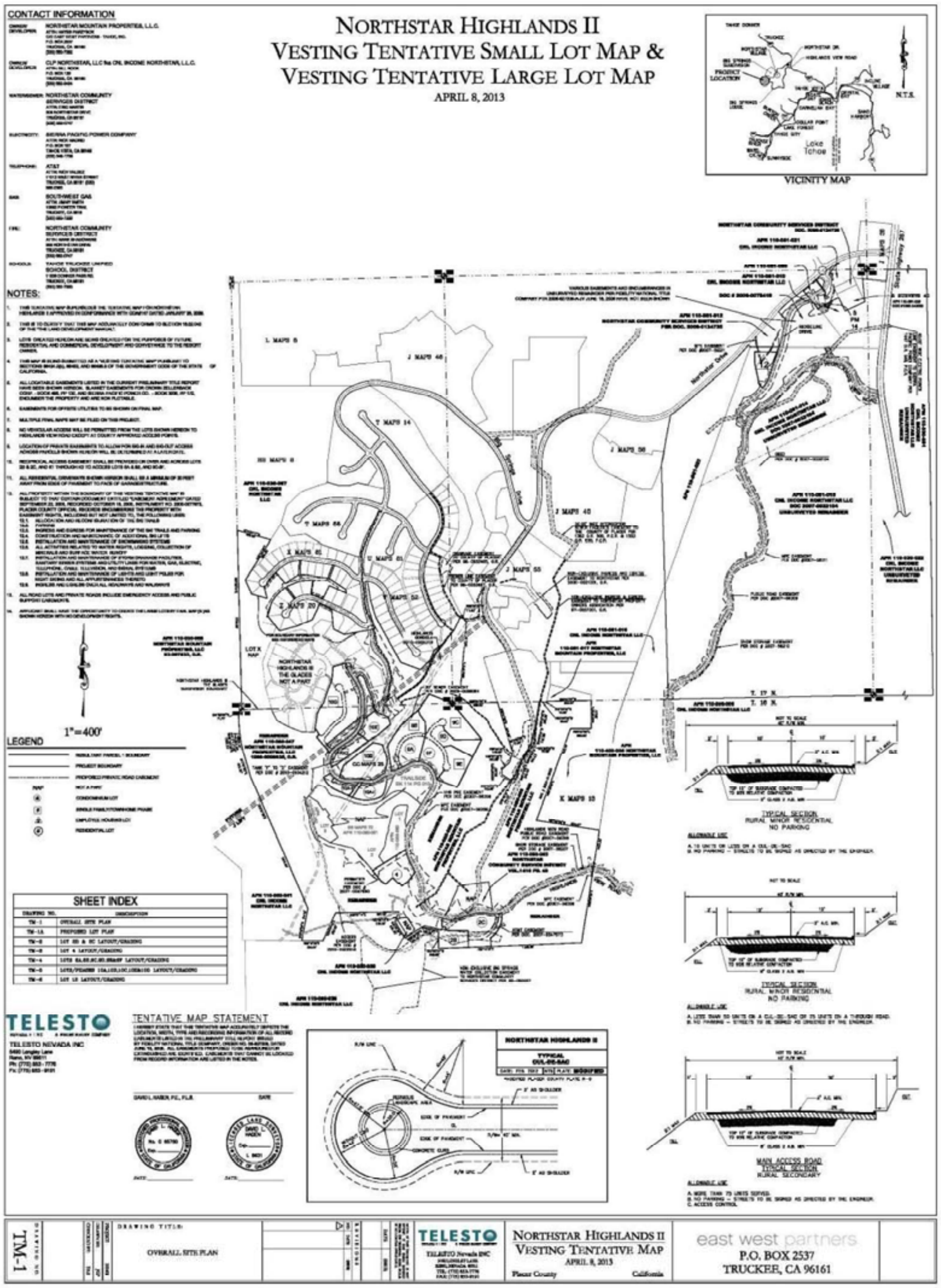
Location:	Northstar Drive and Mountainside View Road Truckee, Placer County, California 96161 The subject property is located within the Northstar California master planned community in Truckee, California.
Shape:	Irregularly shaped
Topography:	Mountainous topography with most areas heavily wooded.
Land Area:	456.27 acres is the size of the entire Northstar Community Facilities District per the Placer County records in place at the time of inception of the district in 2005. There has been substantial reconfiguration of the parcels and changes to Assessor Parcel ID numbers due to the ongoing re-platting. We were not provided a specific acreage for each parcel in the district. The valuation of the subject property is not predicated on land area and thus any size revisions which have occurred would not impact value.
Frontage:	Northstar does have frontage exposure on Highway 267. Most of individual parcels have interior road frontage but there will need to be significant road extensions off of Mountainside View Road for some of the future development projects.
Access:	The subject property has good access from Highway 267 and the Northstar Drive or Mountainside View Road infrastructure within the resort.
Visibility:	The subject property has average visibility.
Soil Conditions:	Environmental Impact Reports (EIR) for The Village and The Mountainside were prepared by Pacific Municipal Consultants of Rancho Cordova California. These are detailed and comprehensive documents which take into account all environmental issues associated with land development as required by California State Law. The Village at Northstar EIR was approved in 2003 and is available for review. The Mountainside Final EIR was approved February 23, 2005. All of the environmental impacts and issues identified in the EIR related to soils require mitigation which the subject developer is responsible for per the approval of the EIR. Discussion of the specific issues identified in the EIR's is beyond the scope of this report but it is assumed all requirements have been met, or will be met in the ongoing development.
Utilities:	Utility providers for the subject property are as follows:

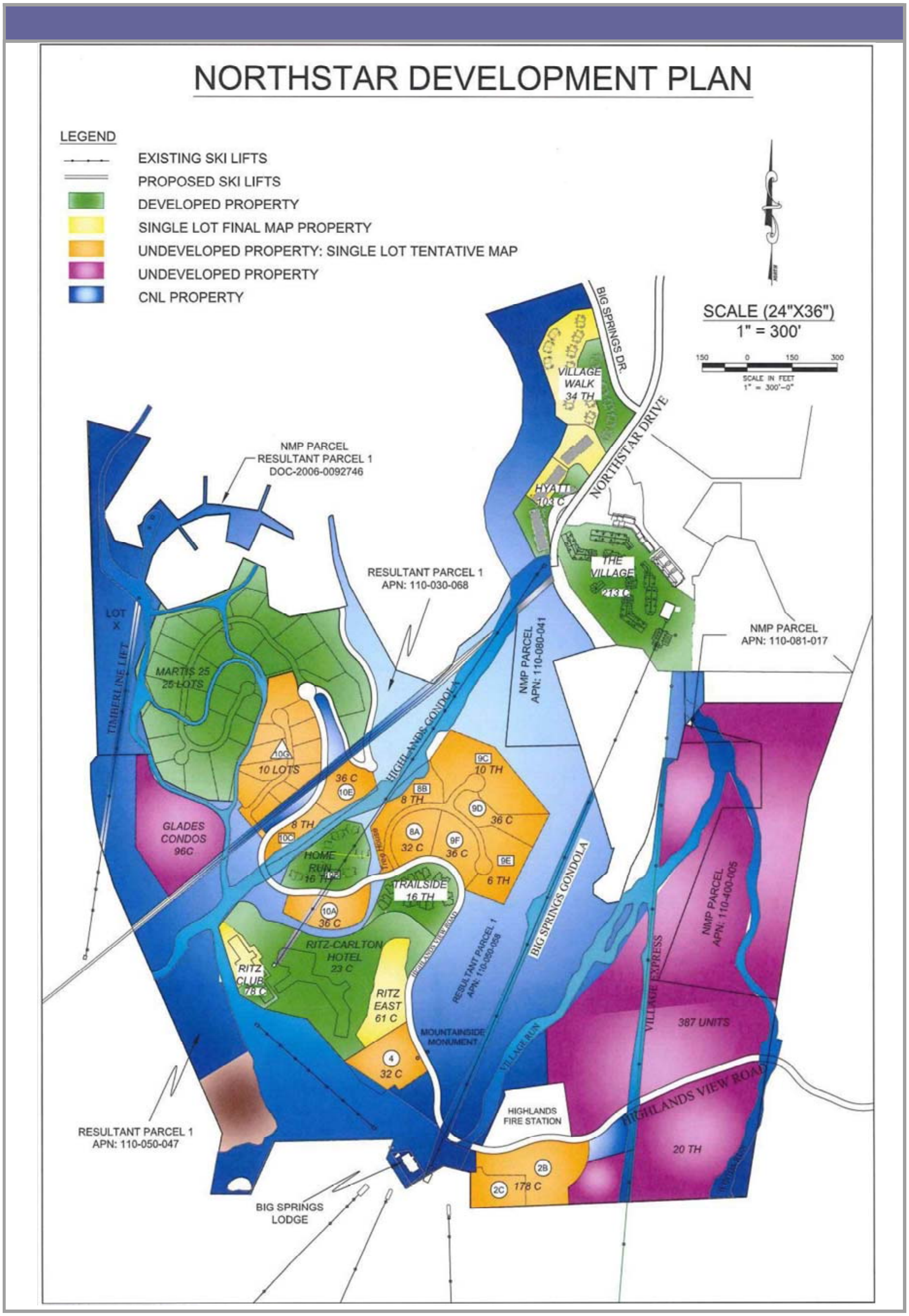
Water	Northstar Community Services District
Sewer	Northstar Community Services District
Electricity	Liberty Energy
Gas	Southwest Gas
Telephone	AT&T

Site Improvements:	The site improvements include roads, utility infrastructure, asphalt paved parking areas, curbing, signage, landscaping, yard lighting and drainage.

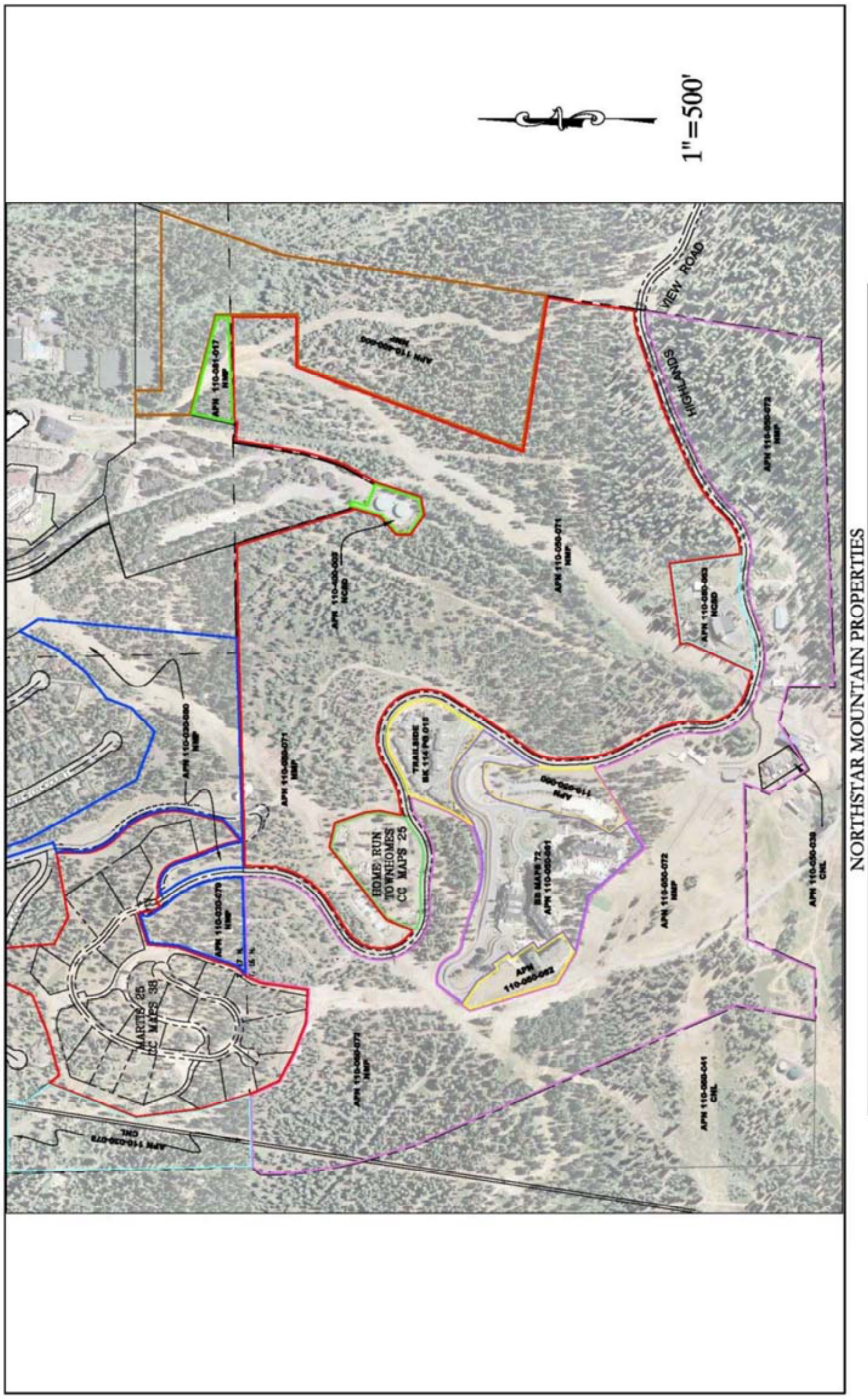
Land Use Restrictions:	We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search by qualified counsel to determine whether any adverse conditions exist.
Flood Zone Description:	The subject property is located in flood zone X (Areas determined to be outside the 500 year flood plain) as indicated by FEMA Map 06061C0100 F, dated June 08, 1998.
Wetlands:	We were not given a wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this field.
Seismic Hazard:	The site is not located in a Special Study Zone as established by California's Alquist-Priolo Geological Hazards Act.
Hazardous Substances:	We observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.
Overall Site Utility:	The subject site is functional for its current use. The mountainous topography is part of the allure for ski in/ski out residential product. The primary horizontal infrastructure related to road access and utilities is essentially in place to all areas of the development. Ongoing construction of the various development sites will further the extension of roads and utilities to all parcels.
Location Rating:	Good location in relation to Interstate 80 and Lake Tahoe.

TENTATIVE PLAT MAP




NORTHSTAR DEVELOPMENT PLAN
LEGEND
EXISTING SKI LIFTS
PROPOSED SKI LIFTS
DEVELOPED PROPERTY
SINGLE LOT FINAL MAP PROPERTY
UNDEVELOPED PROPERTY: SINGLE LOT TENTATIVE MAP
UNDEVELOPED PROPERTY
CNL PROPERTY
SCALE (24"X36")
1" = 300'
BIG SPRINGS DR.
NORTHSTAR DRIVE
VILLAGE WALK 34 TH
HYATT 103 C
THE VILLAGE 213 C
NMP PARCEL
RESULTANT PARCEL 1
DOC-2006-0092746
RESULTANT PARCEL 1
APN: 110-030-068
NMP PARCEL
APN: 110-080-041
NMP PARCEL
APN: 110-081-017
LOT X
TIMBERLINE LIFT
MARTIS 25 25 LOTS
HIGHLANDS GONDOLA
10 LOTS
36 C
8 TH
10 TH
36 C
32 C
36 C
6 TH
GLADES CONDOS 96C
HOME RUN 16 TH
TRAILSIDE 16 TH
36 C
RITZ-CARLTON HOTEL 23 C
RITZ CLUB 78 C
RITZ EAST 61 C
BIG SPRINGS GONDOLA
RESULTANT PARCEL 1
APN: 110-050-058
NMP PARCEL
APN: 110-400-005
VILLAGE EXPRESS
387 UNITS
MOUNTAINSIDE MONUMENT
32 C
HIGHLANDS VIEW ROAD
HIGHLANDS FIRE STATION
20 TH
178 C
RESULTANT PARCEL 1
APN: 110-050-047
BIG SPRINGS LODGE

MOUNTAINSIDE OWNERSHIP/ASSESSORS PARCEL MAP



NORTHSTAR CFD DESCRIPTION

The Northstar Community Facilities District (CFD) has a mix of improved projects with a variety of product type. The Village at Northstar was the first development to be completed with residential and commercial condominiums. There have also been townhomes constructed near the Village. Development in the Mountainside at Northstar includes the Ritz-Carlton Hotel and Ritz Residence Condominiums as well as the Constellation (formerly Ritz Club) condominiums and Trailside townhomes. The following table summarizes all of the existing, on-going and future development in the Northstar CFD. Photos of each of these components were presented previously.

Northstar CFD Site Summary

Project Name	Condominiums (# Units)	Townhomes (# Units)	Lots (# Units)	Square Feet	Status
Developed					
Northstar Village					
Iron Horse/Great Bear	100				Sold to individual owners
Big Horn/Catamount	92				Sold to individual owners
One Village Place	21				Sold to individual owners
Village Walk Townhomes		12			Sold to individual owners
Hyatt Whole Ownership	34				Sold to developer-Has unsold units
Mountainside					
Ritz Club Units	23				Sold to Kennedy Wilson - Has unsold units
Trailside Townhomes		16			Sold to individual owners
Constellation (Ritz Residences)	28				Sold to JMA - Has unsold units
Marits 25			4		Sold 4 of 25 lots to individual owners
Home Run Townhomes		12			Sold 12 of 16 townhomes to individual owners
Non-Residential					
Village Commercial				82,535	Owned by CNL Income Northstar LLC
Ritz Carlton - Lake Tahoe				218,628	Owned by Kennedy Wilson
Tree House				3,800	Owned by Developer
Sub-Total Developed	**298**	**40**	**4**	**304,963**	
Future Development with Recent Activity					
Ritz Carlton East Parcel	61				Sold to Kennedy Wilson 12/12
Ritz Carlton West Parcel	50				Sold to JMA Ventures 12/11
Hyatt Phase 2	37				Sold to Welk Resorts 3/13
Hyatt Phase 3	32				Sold to Welk Resorts 3/13
Sub-total Future Development	**180**				
Future Development with On-going Construction/Sales					
Home Run Townhomes Phase 2		4			Complete townhomes for sale
Village Walk Townhomes Phase 2		6			Completed lots
Village Walk Townhomes Phase 3		16			Completed lots
Lot 9A Tree House Townhomes		6			
Lot 10C Home Run Cabins		11			
Martis 25 Residential Lots			21		Completed lots - 4 of 25 sold
Sub-total Future Development On-going		**43**	**21**		
Future Development Mountainside Tentative Map					
Assessors Parcel #	Condominiums	Townhomes	Lots	Acres	
110-030-079			5	4.0	Vacant Land with Tentative Map
110-050-072	330	24	5	113.2	Vacant Land with Tentative Map
110-050-071	310	111		125.5	Vacant Land with Tentative Map
110-081-017		2		2.1	Vacant Land with Tentative Map
110-400-005	110	17		25.8	Vacant Land with Tentative Map
Sub-total Future Development Mountainside	**750**	**154**	**10**	**270.6**	
Open Space Parcels - No Development Potential - No Special Tax				Acres	
110-081-041				38.4	Remainder parcel of Village Northside - No units
110-030-080				17.7	Vacant Land with No Units
Sub-total Open Space				**56.1**	
Grand Totals	**1,228**	**237**	**35**	**304,963**	Building Sq. Ft.
Northstar CFD Total Units	**1,500**			**326.7**	Acres

DEVELOPED PROPERTY

Village at Northstar

The Village at Northstar was developed in 2005 and 2006. Phase 1 of the Village consisted of 100 units in 3 buildings called Great Bear (28 units), Iron Horse North (26 units) and Iron Horse South (46 units). Phase 2 of the Village consisted of 113 units in 3 buildings, Big Horn (52 units), Catamount (40 units) and One Village Place (21 units). The ground floors of all 6 buildings represent the 82,535 square feet of commercial space in the Village occupied by various shops and services. Phase 3 of the Village was referred to as the Northside and is planned for 137 condominiums and 34 townhomes. The condominium site was sold to Hyatt Resorts and they constructed Phase 1 of the condominiums with 34 units completed and the underground parking structure for Phase 2 partially completed. Hyatt recently sold the property to Welk Resorts who will eventually build out Phase 2 (37 units) and Phase 3 (32 units). Phase 1 of the Village Walk townhomes consists of 12 units which are completed with the remaining lots in Phase 2 (8 units) and Phase 3 (16 units) are completed with all streets and utility infrastructure in place.

Mountainside

The Mountainside area of Northstar was developed at a considerable expense with the Highlands View Road reported to have cost over $50 million. The Ritz-Carlton Lake Tahoe was under construction in 2006 and completed in 2009. The Ritz-Carlton is the centerpiece of The Mountainside. It is a luxury hotel consisting of 170 rooms, 23 whole ownership condominiums, with two restaurants, a lounge, 15,000 square feet of meeting space and a 17,000 square foot spa with 17 treatment rooms, and numerous amenities including two outdoor spa tubs, fitness center, business center, and three levels of subterranean parking with 260 spaces. Trailside Townhomes are 16 excellent quality townhomes just below the Ritz-Carlton which have been completed and sold to individual owners. Homerun Townhomes are 16 recently completed townhomes of which 12 have sold.

The developed property described above is completed and sold to end users who are all individually taxed by Placer County on behalf of the Northstar CFD. For the purposes of the CFD valuation we will be utilizing the assessed values for the real property which is individually owned and taxed. As a cross check on the assessed values we will analyze sales from each of these properties to put them in the context of actual market activity. The assessed values are created by Placer County for the purposes of taxation. The assessments are tied to Proposition 13 and thus they do not always represent current market values for a property.

Non-Residential

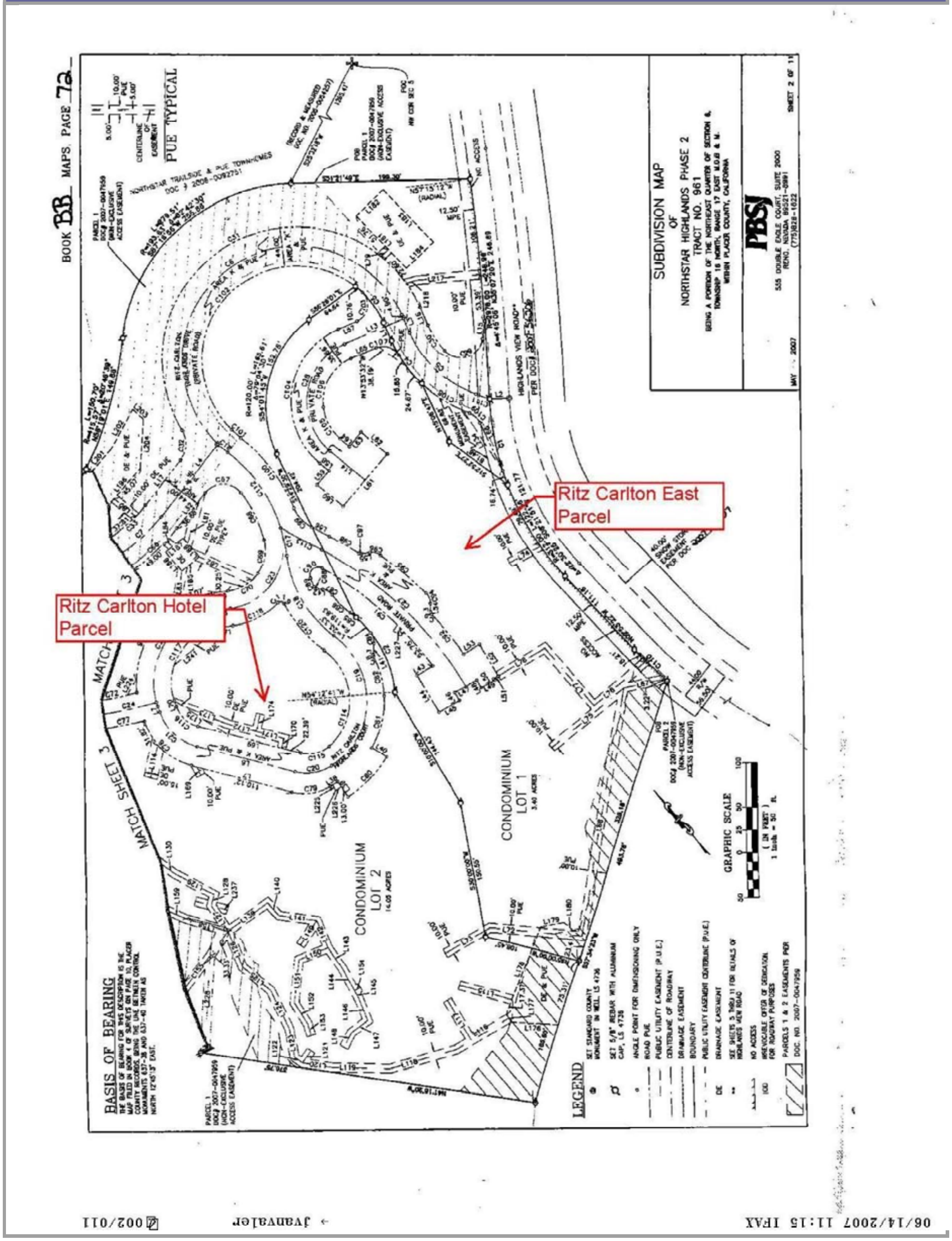
The non-residential portions of the Northstar CFD are the commercial condominiums on the ground level of the Village and the Ritz-Carlton Hotel as well as the Tree House Recreation Building which is nearing completion next to the Home Run townhomes in the Mountainside neighborhood. The commercial space in the Village serves as support for the residential units as well as the tourism related to the ski area. There is 82,535 square feet which is occupied by retailers and service businesses oriented to the ski season. In addition the mountain operator occupies some of this space for skier services including tickets, administration and ski rentals. Many of the shops close in the off season months of May and June, as well as September through November. The quality and extent of the interior build out varies but is generally good.

The Ritz-Carlton hotel is regarded as 218,628 square feet of non-residential (commercial) space in the CFD, excluding the 23 condominiums in this project. This hotel was completed in 2009 and is a high quality luxury hotel with 170 rooms. The general features of the hotel are summarized as follows:

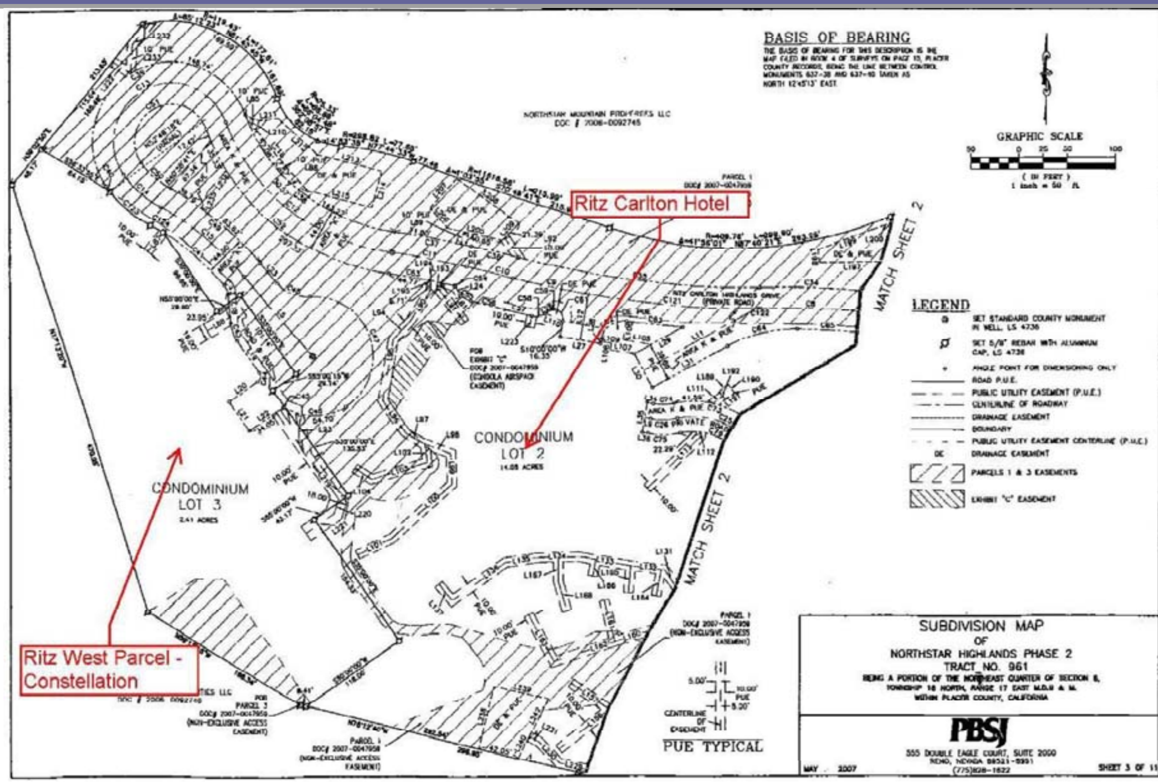
- 170 Hotel Rooms and 23 whole ownership condominiums
- Two restaurants and lounge

- 15,000 square feet of meeting space
- 17,000 square foot spa with 17 treatment rooms
- 2 outdoor hot tubs
- Fitness center
- Business center
- 260 structured parking spaces

RITZ-CARLTON PLAT WITH EAST PARCEL



RITZ-CARLTON WEST PARCEL



FUTURE DEVELOPMENT WITH RECENT ACTIVITY

There are future development sites in the Northstar CFD which have been sold out of the master developer's control. These sites hold value as development parcels which will most likely be developed with similar product to the existing phases to which they are attached. Following is a description of these sites.

Ritz-Carlton East Parcel

The Ritz-Carlton East Parcel is located just downhill to the east of the Ritz-Carlton Hotel along Mountainside View Drive. This 3.4 acre site has entitlements for 61 condominium units. The new owner KW-Northstar Ventures, LLC (Kennedy Wilson) does not have any specific plans for development of this parcel.

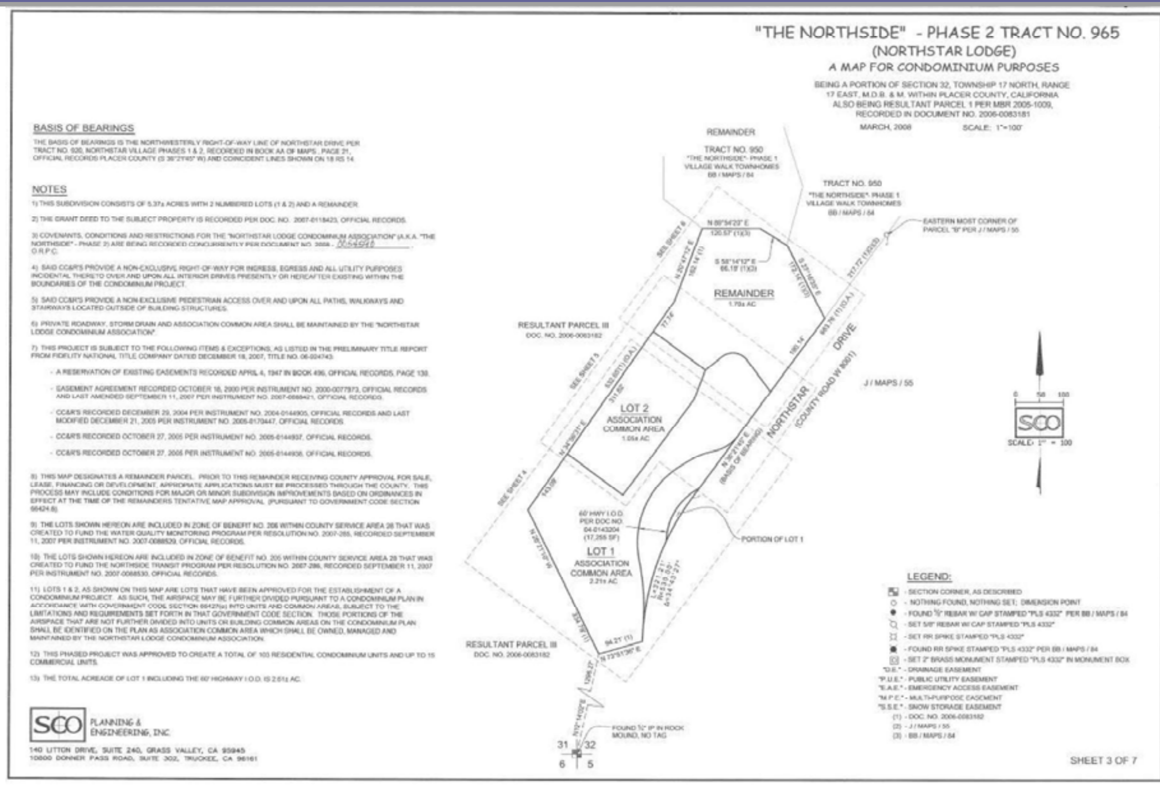
Ritz-Carlton West Parcel

The Ritz-Carlton West is on the uphill side of the Ritz-Carlton with good ski access. This property includes an existing 28 unit condominium building which was originally marketed as fractional interest known as the Ritz Residences but is now offered as fee ownership for any units not partially sold. The Phase 2 site is entitled for 50 units. The new owner, JMA Ventures, LLC has planned for development of Phase II in 2015 and Phase III in 2016. Ultimately it will most likely be luxury condominiums similar to the existing product.

Hyatt Phase 2 and Phase 3

Hyatt Phase 1 is a completed 34 unit luxury condominium property which was being sold as fractional ownership with 1/8th shares. Welk Resorts purchased this project in 2013 with the intent of ultimately marketing it as part of their luxury ownership resorts which include other locations. It is our understanding Welk has submitted development plans for Phase 2 to the Placer County Planning department for the development of Phase 2 which will utilize the existing foundation.

HYATT PLAT PHASES 1 , 2, & 3



FUTURE DEVELOPMENT & ON-GOING CONSTRUCTION/SALES

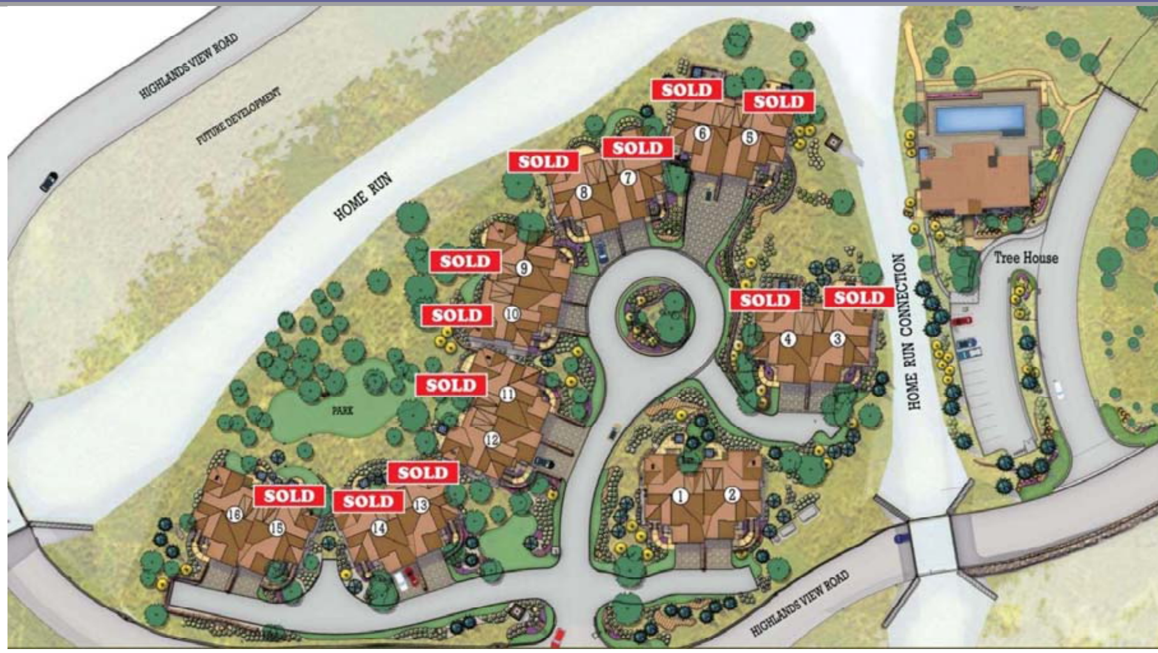
The projects that fall into this category are the active projects being developed by the master developer of the project, East West Resorts. These are described as follows.

Home Run Townhomes Phase 2

The Home Run Townhomes are 16 recently built townhomes with all 8 units in Phase 1 sold and 4 of the 8 units in Phase 2 sold. The sold units have been allocated to the Developed property and the sell out of the remaining 4 are recognized in this property category. This project is in the Mountainside area near the Ritz-Carlton. These units are good quality with wooded areas and ski access. The site plan for these homes is presented below and photographs were presented earlier. These homes have the following features:

- Wood floors with good quality ceramic tile in the bathrooms with slab material on countertops
- Good quality wood doors and windows and European wood floors
- Granite counters and quartzite in the kitchen
- Vaulted ceilings
- U.S. Green Building Council, LEED Gold Certification
- Two-car garage

HOME RUN SITE PLAN



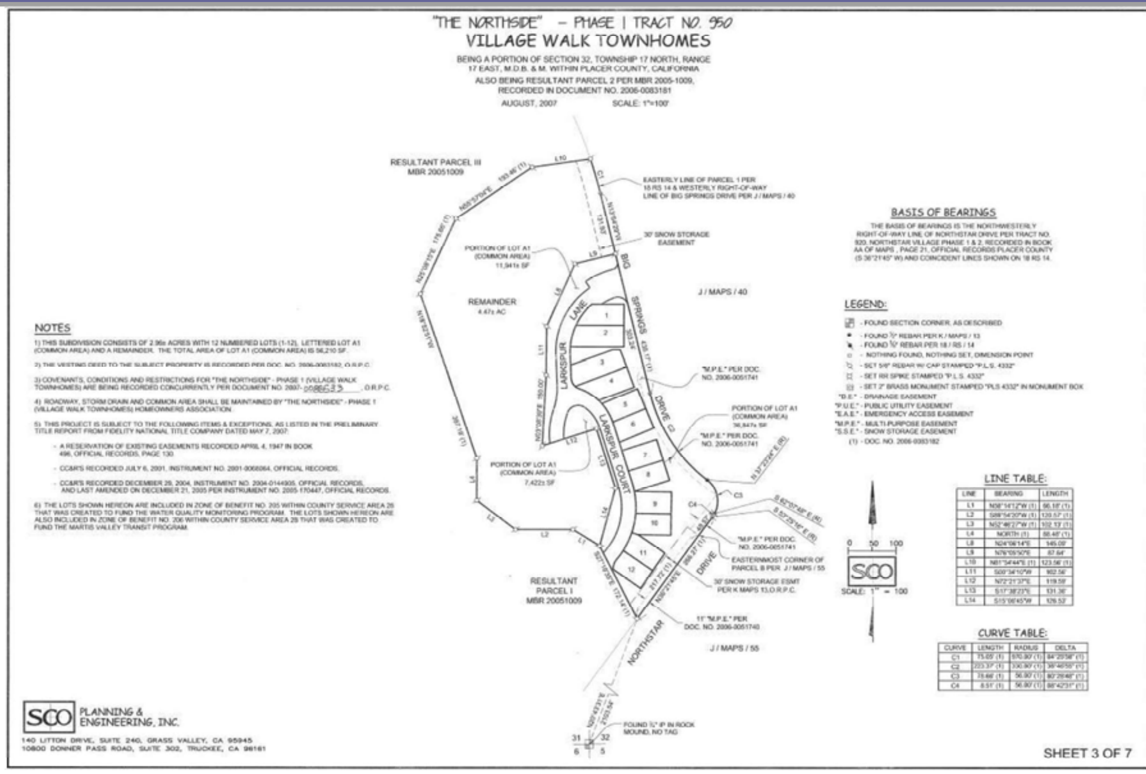
Village Walk Townhomes Phase 1

Phase 1 of the Village Walk Townhomes was completed in 2008 with 12 units sold to individual owners. These are high quality homes within walking distance to the Village in the Northside area of the Village.

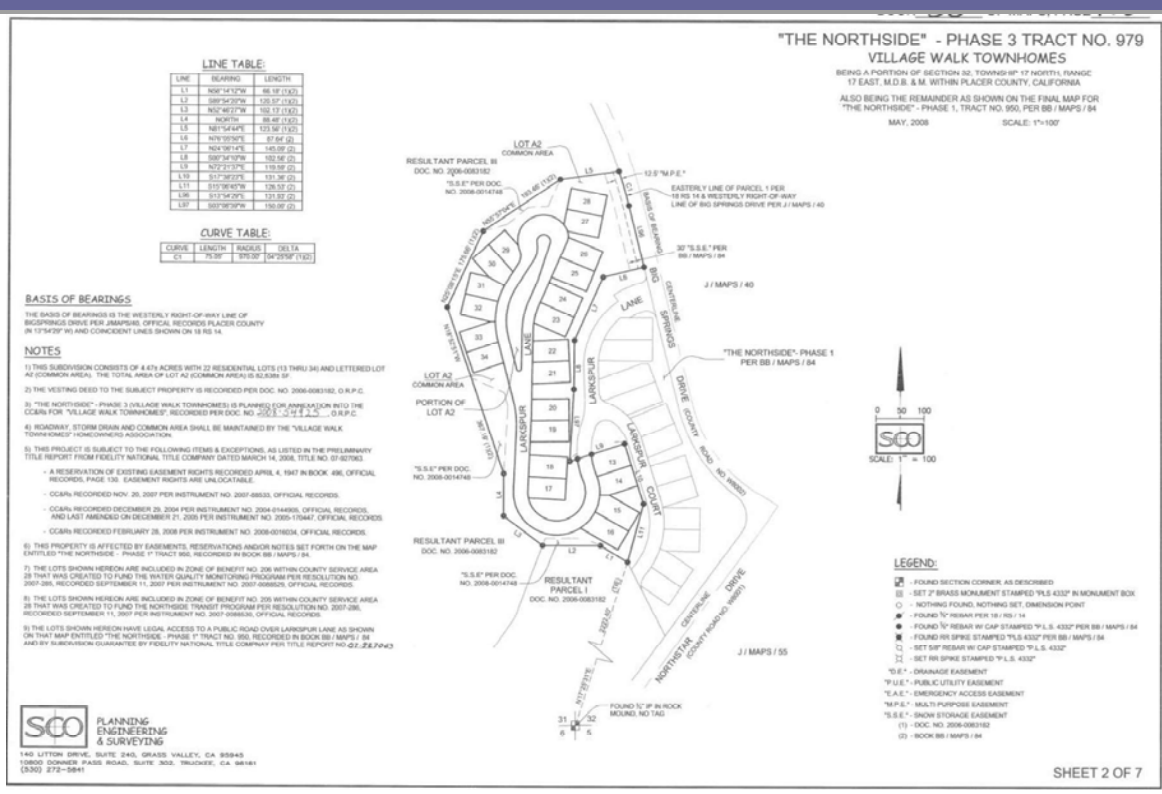
Village Walk Townhome Phases 2 & 3

Village Walk Townhomes Phases 2 and 3 are currently platted with the interior streets and infrastructure in place. They are build ready at such time as market demand warrants new construction. These phases are anticipated to be of similar quality to Phase 1. The developer is considering a launch of the Phase 2 units which have existing foundations in 2014.

VILLAGE WALK PHASE 1



VILLAGE WALK PHASE 2



Lot 9A – Tree House Residences

The developer is in the planning process and intends to begin construction in Summer 2014 on 6 townhomes next to the Home Run Townhomes and the new Tree House Recreation building. These units are proposed to average 3,230 square feet per unit and are projected to be upmarket in quality to the Home Run townhomes with very high end finishes.

Lot 10C – Home Run Cabins

The developer is in the planning process and intends to begin construction in Summer 2014 on 11 units next to the Home Run Townhomes and along the Home Run ski run. These units are proposed to be 10 duplex units in five buildings and one single family residence with an average 2,200 square feet per unit with generally similar quality to the Home Run townhomes. Based on the above information we have applied an average unit price of $2,000,000 as these are projected to be slightly higher end than Homerun townhomes. Also every one of the units in this project will have frontage and access on the Home Run ski run.

Martis 25 Single Family Lots

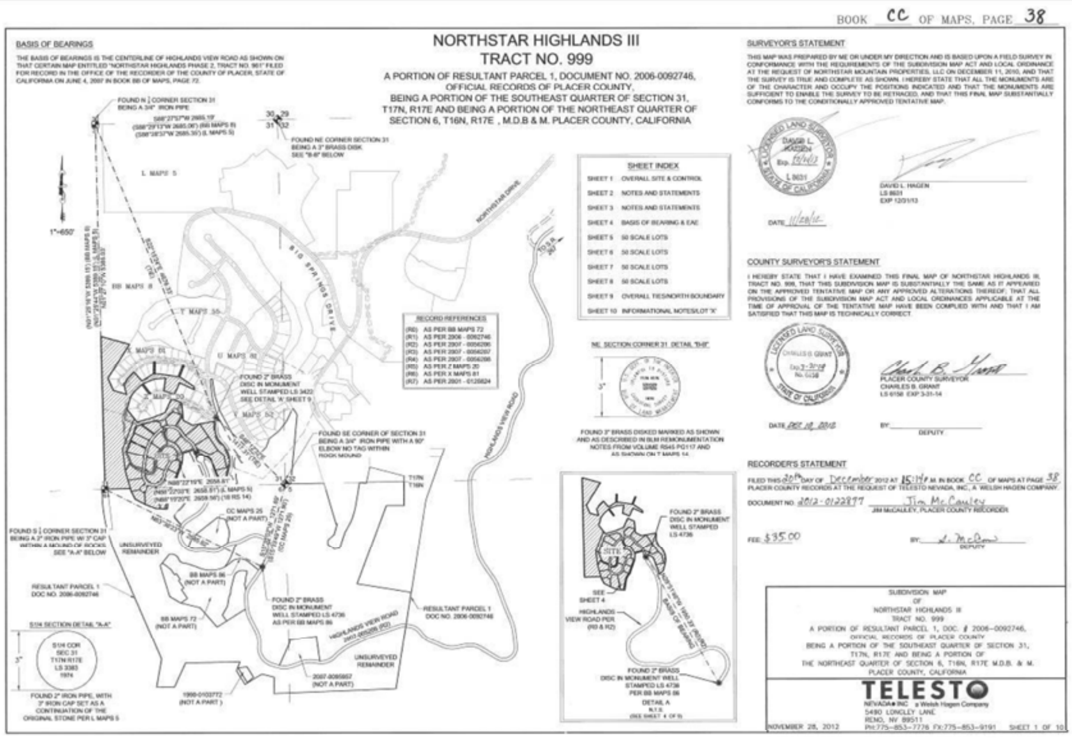
The Martis 25 lots were completed in 2012 and represent a unique property type in the Lake Tahoe area as it relates to their ski access. Four of these lots are closed with one lot under contract. The following table summarizes the lot sizes of the remaining 21 lots.

Martis 25 Lot Inventory Summary

Lot #	Acreage	Current List Price	Club Membership	Net Revenue
1	1.42	$995,000	($10,000)	$985,000
2	1.09	$995,000	($10,000)	$985,000
3	1.22	$825,000	($10,000)	$815,000
4	0.89	$745,000	($10,000)	$735,000
6	0.69	$1,445,000	($10,000)	$1,435,000
7	0.84	$1,545,000	($10,000)	$1,535,000
8	0.72	$1,895,000	($10,000)	$1,885,000
9	0.85	$1,995,000	($10,000)	$1,985,000
10	0.88	$2,095,000	($10,000)	$2,085,000
13	0.60	$1,145,000	($10,000)	$1,135,000
14	1.31	$1,295,000	($10,000)	$1,285,000
15	1.30	$2,095,000	($10,000)	$2,085,000
16	0.54	$1,645,000	($10,000)	$1,635,000
17	0.51	$2,245,000	($10,000)	$2,235,000
18	0.82	$2,595,000	($10,000)	$2,585,000
20	0.95	$1,095,000	($10,000)	$1,085,000
21	0.58	$1,245,000	($10,000)	$1,235,000
22	0.68	$1,495,000	($10,000)	$1,485,000
23	0.78	$1,695,000	($10,000)	$1,685,000
24	0.82	$2,395,000	($10,000)	$2,385,000
25	0.80	$1,795,000	($10,000)	$1,785,000
Average:	**0.87**	**$ 1,584,524**		**$ 1,574,524**
Minimum	**0.51**	**$745,000**		**$735,000**
Maximum	**1.42**	**$2,595,000**		**$2,585,000**

The Martis 25 lots have gated access at the terminus of Highlands View Road. Most of the lots are wooded to some degree and there are good views to the northwest. There are well developed ski trails through the development providing ski access to all lots. The lot sizes range from .51 to 1.42 acres with a variety of topography and most with lower angle slopes. The above inventory list excludes the four lots which have been sold.

MARTIS 25 PLAT



Future Development Mountainside II Tentative Map

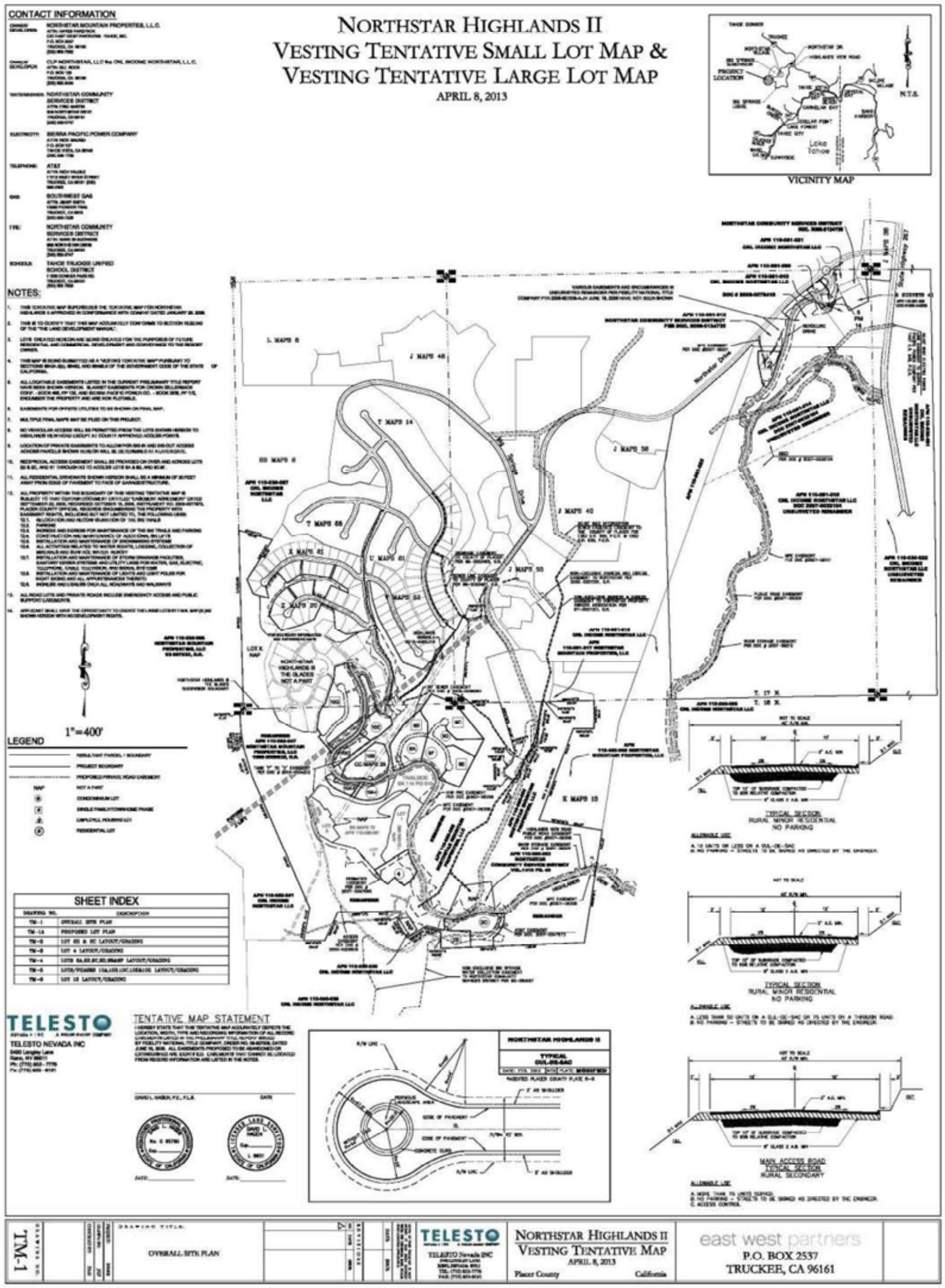
The remaining development land in the Northstar California CFD is situated across the mountain along Mountainside View Road. All of the remaining development land will have some type of ski access. The proposed product mix for this land is summarized in the following table.

Future Development Mountainside Entitlements

	# Units			
Assessor Parcel #	Condominiums	Townhomes	Lots	Acres
110-030-079			5	4.0
110-050-072	330	24	5	113.2
110-050-071	310	111		125.5
110-081-017		2		2.1
110-400-005	110	17		25.8
Totals	**750**	**154**	**10**	**270.6**
Grand Total Units	**914**			

The product mix noted above is based on the tentative plat map shown on the following page. The developer projects a 15 year build out for the product listed in the above table. There are numerous scenarios which could take place regarding the various parcels which make up the above product mix. The primary driver for product determination will be the market and the unit types and price points that drive the greatest demand. It is also not likely that all of the product will be built out by the developer but various sites will be sold similar to the Ritz parcels or the Hyatt parcels.

MOUNTAINSIDE TENTATIVE MAP



REAL PROPERTY TAXES AND ASSESSMENTS

CURRENT PROPERTY TAXES

The subject property is located in the taxing jurisdiction of Placer County, and the assessor's parcel identification numbers are voluminous with over 600 assessor parcel numbers in the district. For the purposes of this analysis we will provide a summary of the taxes for the valuation component of the subject with the individual assessments summarized in the Addenda. Reassessment will occur based on future transfers of any parcel sold. Taxes in the State of California are subject to Proposition 13, with assessments based on the most recent transaction price at the time of purchase, with increases in taxes limited to 2 percent per year. The property is reassessed at such time in the future that it is sold or re-modeled. The general tax levy determined by state law is $1.00 per $100.00 of assessed value of a property. In addition, the property is subject to taxes related to local schools, hospital and fire districts. As of the date of value, the subject's total tax rate per the 2013 – 2014 tax rates varied somewhat by parcel with an overall average of .01359 per $100.00 of assessed value (or a rate of 1.359 percent). The 2014 – 2015 tax rate was slightly higher at 1.487 percent. In addition to the tax rate, there are special assessments related to voter bonded assessments related to the additional school assessments, snow removal, etc. The following table summarizes the portion of the subject which is developer owned. The taxes for individually owned parcels are not relevant to this analysis. However for the purposes of defining the district all of the parcels in the district have been identified in the addenda to this report. Reassessment will occur based on future transfers of the parcels. The assessment and taxes for the property are presented in the table on the following page.

Northstar Developed Property Assessed Values - FY 2014-15										
Project/APN	# of Units	Square Footage	Total Assessed Value	Assessed Value Per Unit	Projected Assessed Value*	FY 2014-15 CFD No. 1 Maximum Tax	FY 2014-15 CFD No. 1 Actual Tax	FY 2014-15 Remaining Tax Bill (Net of CFD)	County Taxes Per Unit	Tax Rate %
Developed Property - Residential										
Great Bear Lodge	**28**	**73,913**	**$46,664,101**	**$1,666,575**	**$46,664,101**	**$111,073**	**$111,073**	**$554,010**	**$19,786**	**1.187%**
Iron Horse North	**26**	**33,900**	**$17,900,501**	**$688,481**	**$17,900,501**	**$91,507**	**$91,507**	**$244,156**	**$9,391**	**1.364%**
Iron Horse South	**46**	**63,765**	**$35,180,687**	**$764,798**	**$35,180,687**	**$162,831**	**$162,831**	**$465,577**	**$10,121**	**1.323%**
Big Horn	**52**	**64,664**	**$37,440,042**	**$720,001**	**$37,440,042**	**$182,720**	**$182,720**	**$504,778**	**$9,707**	**1.348%**
Catamount	**40**	**44,502**	**$26,316,535**	**$657,913**	**$26,316,535**	**$138,109**	**$138,109**	**$363,463**	**$9,087**	**1.381%**
One Village Place	**21**	**33,465**	**$17,769,852**	**$846,183**	**$17,769,852**	**$76,713**	**$76,714**	**$244,366**	**$11,636**	**1.375%**
Village Walk Townhomes	**12**	**31,680**	**$17,548,662**	**$1,462,389**	**$17,548,662**	**$48,858**	**$48,858**	**$220,947**	**$18,412**	**1.259%**
Trailside Townhomes	**16**	**58,773**	**$34,367,137**	**$2,147,946**	**$34,367,137**	**$89,983**	**$89,983**	**$430,149**	**$26,884**	**1.252%**
Ritz Residences	**23**	**38,715**	**$37,009,835**	**$1,609,123**	**$41,707,196**	**$118,806**	**$118,806**	**$475,244**	**$20,663**	**1.284%**
Northstar Lodge (Welk Resorts)	**34**	**51,062**	**$29,397,473**	**$864,632**	**$29,397,473**	**$121,443**	**$121,443**	**$387,430**	**$11,395**	**1.318%**
Ritz Club Units (Constellation)	**28**	**52,455**	**$39,091,919**	**$1,396,140**	**$39,091,919**	**$145,022**	**$145,022**	**$496,874**	**$17,746**	**1.271%**
Home Run Townhomes	**16**	**44,568**	**$16,508,098**	**$1,031,756**	**$32,739,387**	**$101,959**	**$101,959**	**$197,071**	**$12,317**	**1.194%**
Martis 25 (4 Sold Lots)	**4**	**0**	**$3,989,808**	**$997,452**	**$5,567,183**	**$24,970**	**$22,528**	**$15,509**	**$3,877**	**0.389%**
Total Developed Property - Residential	**346**	**591,462**	**$359,184,650**	**$1,038,106**	**$381,690,675**	**$1,413,996**	**$1,411,554**	**$4,599,574**	**$13,294**	**1.281%**
Developed Property - Non-Residential										
Non-Residential/Village Commercial	**52**	**82,535**	**$21,239,608**	**$408,454**	**$21,239,608**	**$20,881**	**$20,881**	**$342,654**	**$6,590**	**1.613%**
Ritz Hotel	**1**	**218,628**	**$44,462,154**	**$44,462,154**	**$44,462,154**	**$13,992**	**$13,992**	**$741,713**	**$741,713**	**1.668%**
Total Developed Property - Non-Residential	**53**	**301,163**	**$65,701,762**	**$1,239,656**	**$65,701,762**	**$34,874**	**$34,874**	**$1,084,367**	**$20,460**	**1.650%**
Developed Property Totals	**399**	**892,625**	**$424,886,412**	**$1,064,878**	**$447,392,437**	**$1,448,869**	**$1,446,427**	**$5,683,941**	**$14,245**	**1.338%**
Undeveloped Property										
Ritz Carlton East Parcel	**61**	**0**	**$2,240,794**	**$36,734**	**$5,500,000**	**$317,322**	**$317,322**	**$92,830**	**$1,522**	**4.143%**
Martis 25 (21 Unsold Lots)	**21**	**0**	**$1,321,761**	**$62,941**	**$19,400,000**	**$131,090**	**$118,270**	**$50,787**	**$2,418**	**3.842%**
Village Walk Townhomes	**22**	**0**	**$2,069,342**	**$94,061**	**$7,000,000**	**$125,888**	**$116,934**	**$36,767**	**$1,671**	**1.777%**
Northstar Lodge (Welk Resorts) Phases 2 & 3	**69**	**0**	**$5,180,167**	**$75,075**	**$5,200,000**	**$358,938**	**$342,658**	**$63,977**	**$927**	**1.235%**
Ritz Club West (Constellation Ph. 2)	**50**	**0**	**$1,536,946**	**$30,739**	**$5,000,000**	**$260,100**	**$234,662**	**$102,281**	**$2,046**	**6.655%**
Platted - Undeveloped Sub-Total	**223**	**0**	**$12,349,010**	**$55,377**	**$42,100,000**	**$1,193,339**	**$1,129,845**	**$346,642**	**$1,554**	**2.807%**
Mountainside Entitled Parcels										
110-030-078-000 (Exempt Ski Parcel)	0	0	$2,141,478	$0	$0	$0	$0	$26,045	$26,045	1.216%
110-030-079-000	5	0	$451,349	$90,270	$2,800,000	$31,338	$28,273	$10,242	$2,048	2.269%
110-030-080-000 (Exempt Ski Parcel)	0	0	$1,994,956	$0	$0	$0	$0	$22,081	$22,081	1.107%
110-050-071-000	359	0	$580,592	$1,617	$52,700,000	$2,303,869	$2,078,547	$174,983	$487	30.139%
Lots 9A & 10C (Part of 110-050-071-000)	17	0	$0	$0	$7,600,000	$0	$0	$0	$0	0.000%
110-050-072-000	421	0	$5,379,003	$12,777	$22,700,000	$1,932,513	$1,743,510	$396,180	$941	7.365%
110-081-017-000	2	0	$10,451	$5,226	$300,000	$11,444	$10,325	$575	$288	5.503%
110-400-005-000	127	0	$130,640	$1,029	$3,300,000	$669,497	$604,019	$1,922	$15	1.471%
Future Undeveloped Sub-Total	**931**	**0**	**$10,688,469**	**$11,481**	**$89,400,000**	**$4,948,663**	**$4,464,675**	**$632,027**	**$679**	**5.913%**
Grand Totals	**1,553**		**$447,923,891**	**$288,425**	**$578,892,437**	**$7,590,871**	**$7,040,948**	**$6,662,609**	**$4,290**	**1.487%**

* Assessed values for 2014/15 as shown in the records of the Placer County Assessor for properties conveyed prior to 1/1/2014 lien date, or reported sale prices for properties conveyed subsequent to said date, or appraised value for future development.

ZONING

GENERAL INFORMATION

The property is zoned under the jurisdiction of Placer County. The property is zoned for the current planned density by virtue of the following historical land use plans: Martis Valley Community Plan et al. The planning and development of the Northstar Master Plan has a long history which dates back to the inception of the resort in the late 1960's. The original Master Plan included total development of 3,700 units. At the time of Booth Creek's acquisition of Northstar in the mid 1990's, less than one half of the potential 3,700 units at Northstar had been platted and developed, allowing for the possibility of large scale residential development at Northstar. Booth Creek and East West Partners created a partnership for the purposes of completing the real estate build-out at Northstar. A specific development plan was created by Northstar Mountain Properties, LLC which resulted in the current and proposed improvements described herein. There was public opposition to the 2003 Martis Valley Community Plan, of which the subject development was a part, by various conservation and citizens groups. Thus, development in the Martis Valley essentially came to stand still as a result of litigation brought on by the opposition groups. All of the subject development was excluded from the decision in favor of the opposition groups per a ruling issued by a Placer County Superior Court judge on June 21, 2005. The litigation regarding the Martis Valley Plan was resolved in November 2006 and the plan remains intact.

There are several underlying zoning designations on the subject property, however, the specific approvals which the subject developer has received from Placer County supersede and/or have created the zoning designations and overall are consistent with the Master Plan. It is noted that the subject development represents a reduction from the total allowable units per the original Northstar Master Plan from 3,700 to 3,300 total development units. As of this writing the developer has reduced the likely total for the project by another 300 units to a total of 3,000. There were 1,800 units approved in the Northstar CSD but it appears that the land does not have the capacity to carry all 1,800 units and thus the developer's plans are now for only 1,500 units at buildout.

It is noted that The Village at Northstar EIR (2003) was approved by Placer County and the Final EIR (2005) for the Mountainside was approved February 23, 2005.

Our analysis assumes that the subject property represents a conforming use with the current zoning and that all approvals are in place with Placer County planning and zoning authorities.

Overview of Community Facilities District No. 1

The purpose of this appraisal is to estimate the market value of the fee simple interest in the subject “as is.” Bonds were previously issued under the jurisdiction of the Mello-Roos Community Facilities Act of 1982 in relation the infrastructure which was put in place for the Northstar California master planned community, which bonds are proposed to be refunded by Special Tax Refunding Bonds. Following is a summary of the CFD report as it applies to the subject, as well as the rate of apportionment and applicable taxes, which will be applied to the taxable property within the subject district. Our analysis herein is applicable only to the taxable property in the district and does not contemplate any other property which also may be a part of the overall development.

Facilities

The facilities installed in the CFD with the bond proceeds are briefly summarized as follows:

- Water supply and distribution and fire suppression facilities.
- Electrical supply and distribution facilities.
- Public roadways and associated curbs, gutters, sidewalks, landscaping, signage, etc.
- Public access parks and trails.
- Sanitary sewer facilities.
- Storm drains and flood control facilities.
- Public administration building improvements
- Maintenance building improvements
- Fire station improvements and related equipment
- Parcels of land for location of public facilities
- Natural gas, telephone, electric and telecommunications facilities and appurtenant work.

The boundaries of the CFD were described previously in this report as approximately 456.27 acres.

Development Costs

The underlying roads and infrastructure for the Northstar Community Facilities District are in place at a considerable cost. The CFD funds (total of 2 bond issues in 2005 and 2006) contributed to the development of the Northstar CFD were reported to be approximately $64 million. This $64 figure is for the district funded construction costs only and represents only a portion of the total costs of the project, with the developer of the subject responsible for the balance.

Maximum Special Tax

The following table summarizes the maximum tax for the future development parcels which are taxable property in Fiscal Year 2013-2014. It is noted that the special taxes for 2014-2015 were not available as of the date of appraisal. Such maximum tax will increase by 2% each year in the case of residential property. These taxes are based on unit sizes.

Northstar Community Services District Community Facilities District No. 1 Fiscal Year 2013-14 Maximum and Actual Special Taxes				
Land Use	**Units / Sq. Ft. / Acres**		**Fiscal Year 2013-14 Maximum Special Tax**	**Fiscal Year 2013-14 Actual Special Tax**
Designated Developed Property				
Townhome Unit	28	units	$138,842	$138,842
Condominium Unit	286	units	$1,103,322	$1,103,322
Fractional Unit	12	units	$44,903	$44,903
Non-Residential	301,163	sq. ft.	$34,874	$34,874
Future Development Property				
Townhome Unit	24	units	$453,614	$453,614
Condominium Unit	37	units	$192,474	$192,474
Undeveloped Property	281	acres	$5,622,842	$5,072,919
Total			$7,590,871	$7,040,948

Source: Goodwin Consulting Group, Inc.

The special taxes for CFD costs represent annual amounts that will escalate at 2 percent annually through the maturity of the Special Tax Refunding Bonds. In order to recognize this encumbrance, it is necessary to analyze the impact of this tax and make adjustments, if necessary, to the market pricing that will be analyzed later herein. We have calculated the potential adjustment by recognizing the remaining obligation. The Year One tax is escalated at 2 percent annually for the residential property. We have discounted the balance of the payments at a "safe rate" of 3.5 percent, which is reasonable in relation to 30-year treasuries, which have recently been in the range of 3.0 to 3.5± percent. Reference is made to the following summary of market adjustments to be considered herein, as well as the calculations in the following table. Our analysis of the future development land is based on condominium units with an average size of 1,500 square feet which is based on the average sizes already constructed in the Northstar Village. The average townhome unit is projected at 2,800 square feet which is consistent with the product which has sold or is being marketed in Northstar.

Mello Roos Tax Adjustments Condominiuim Units				Mello Roos Tax Adjustments Townhome Units			
Projected Average Unit Size (Sq. Ft.)			1,500				2,800
Mello Roos Increases per Year			2.00%	Mello Roos Increases per Year			2.00%
Discount Rate			3.50%	Discount Rate			3.50%
Assigned Special Tax			$4,500	Assigned Special Tax			$6,000
Year	Disc Factor	Mello Tax W/2% Inc	PV Mello Tax	Year	Disc Factor	Mello Tax W/2% Inc	PV Mello Tax
1	0.96618	$4,500	$4,348	1	0.96618	$6,000	$5,797
2	0.93351	$4,590	$4,285	2	0.93351	$6,120	$5,713
3	0.90194	$4,682	$4,223	3	0.90194	$6,242	$5,630
4	0.87144	$4,775	$4,162	4	0.87144	$6,367	$5,549
5	0.84197	$4,871	$4,101	5	0.84197	$6,495	$5,468
6	0.81350	$4,968	$4,042	6	0.81350	$6,624	$5,389
7	0.78599	$5,068	$3,983	7	0.78599	$6,757	$5,311
8	0.75941	$5,169	$3,925	8	0.75941	$6,892	$5,234
9	0.73373	$5,272	$3,869	9	0.73373	$7,030	$5,158
10	0.70892	$5,378	$3,813	10	0.70892	$7,171	$5,083
11	0.68495	$5,485	$3,757	11	0.68495	$7,314	$5,010
12	0.66178	$5,595	$3,703	12	0.66178	$7,460	$4,937
13	0.63940	$5,707	$3,649	13	0.63940	$7,609	$4,866
14	0.61778	$5,821	$3,596	14	0.61778	$7,762	$4,795
15	0.59689	$5,938	$3,544	15	0.59689	$7,917	$4,726
16	0.57671	$6,056	$3,493	16	0.57671	$8,075	$4,657
17	0.55720	$6,178	$3,442	17	0.55720	$8,237	$4,590
18	0.53836	$6,301	$3,392	18	0.53836	$8,401	$4,523
19	0.52016	$6,427	$3,343	19	0.52016	$8,569	$4,457
20	0.50257	$6,556	$3,295	20	0.50257	$8,741	$4,393
21	0.48557	$6,687	$3,247	21	0.48557	$8,916	$4,329
22	0.46915	$6,820	$3,200	22	0.46915	$9,094	$4,266
23	0.45329	$6,957	$3,153	23	0.45329	$9,276	$4,205
Totals		**$129,802**	**$85,564**	**Totals**		**$173,070**	**$114,086**
Estimated Mello Roos Adjustment:			**$90,000**	Estimated Mello Roos Adjustment:			**$110,000**

The above table indicates the net present value (NPV) of the bond payments for an average size 1,500 square foot condominium unit is $90,000 over the remaining 23 year period of the bonds at a safe discount rate of 3.5 percent. The total payment for a 2,800 square foot average size townhome is $110,000. There are several considerations regarding the need to adjust the selling price for the lump sum of the bond payment. First is the need to reflect the market. Based on our discussions with agents and buyers active in the Northstar area it does not appear typical buyers go through the above process of calculating the total bond payment. Some buyers do not anticipate ownership for that long. Most are focused on their monthly payments and how that fits into their incomes. It does not appear that any buyers consider the full impact of the NPV of the bond payments in their purchase decision. Another consideration is what data is being used for comparison. Our analysis presented later herein is based primarily on the other sales occurring in the Northstar CFD which have the same bond obligations as the subject units would. Thus, the consideration of the Mello Roos payments is inherent in the sale prices occurring at Northstar for all properties included in the CFD. This is the most significant factor in our opinion. Any additional payments such as HOA dues or Special Taxes are always considerations to be noted in the marketing of any real estate product. However, the nature of the product and its desirability are the most compelling part of the purchase. In some cases buyers will understand the benefits that accrue to the property due to the funds provided by the Mello Roos bonds. Overall we do not consider it necessary to deduct for the Mello Roos bond payments as our pricing is based on the actual sale activity which are all subject to the same special tax.

Valuation

HIGHEST AND BEST USE

HIGHEST AND BEST USE DEFINITION

The Dictionary of Real Estate Appraisal, Fifth Edition (2010), a publication of the Appraisal Institute, defines the highest and best use as:

> The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

To determine the highest and best use we typically evaluate the subject site under two scenarios: as vacant land and as presently improved. In both cases, the property's highest and best use must meet the four criteria described above. Since this property is land only, evaluating it as presently improved is not applicable.

HIGHEST AND BEST USE OF PROPERTY AS VACANT

The highest and best use of the subject as vacant technically applies to the entire 456 acres of the Northstar CFD rather than each individual site. We will consider this in the following analysis.

Legally Permissible

The zoning regulations in effect at the time of the appraisal determine the legal permissibility of a potential use of the subject site. As described in the Zoning section, the subject site is zoned Martis Valley Community Plan by Placer County. Permitted uses within this district include resort residential uses including attached and detached single family housing as well as stacked flat condominiums, lodging, commercial and ancillary uses. We are not aware of any further legal restrictions that limit the potential uses of the subject. In addition, rezoning of the site is not likely due to the character of the area and the planning effort required to obtain the existing entitlements.

Physically Possible

The physical possibility of a use is dictated by the size, shape, topography, availability of utilities, and any other physical aspects of the site. The subject site contains 456.27 acres. The site is irregularly shaped with mountainous terrain. It has average frontage, average access, and average visibility. The overall utility of the site is considered to be average and the accessibility to the Northstar California ski resort is a unique feature. All public utilities are available to the site including public water and sewer, gas, electric and telephone. Overall, the site is considered adequate to accommodate most permitted development possibilities.

Financially Feasible and Maximally Productive

In order to be seriously considered, a use must have the potential to provide a sufficient return to attract investment capital over alternative forms of investment. A positive net income or acceptable rate of return would indicate that a use is financially feasible. Financially feasible uses are those uses that can generate a profit over and above the cost of acquiring the site, and constructing the improvements. Of the uses that are permitted, possible, and financially feasible, the one that will result in the maximum value for the property is considered the highest and best use.

The underlying roads and infrastructure for the Northstar Community Facilities District are in place at a considerable cost. The CFD funds contributed to development were approximately $64 million with a multiple of this expended by the developer. These improvements were installed during the strong market conditions of 2005. It is not likely these types of expenditures would be feasible in the current market given the low demand and depressed pricing. However, the proximity to Lake Tahoe and ski accessibility to Northstar suggest that some type of master planned resort residential use would be appropriate.

CONCLUSION

We considered the legal issues related to zoning and legal restrictions. We also analyzed the physical characteristics of the site to determine what legal uses would be possible, and considered the financial feasibility of these uses to determine the use that is maximally productive. Considering the subject site's physical characteristics and location, as well as the state of the local market, it is our opinion that the Highest and Best Use of the subject site as vacant is development of a mixed use, recreationally oriented residential development. The subject land as thought vacant represents a unique ownership of private land adjacent to and integrated into a well established ski area in the Lake Tahoe area. Most resorts are on land leased by the federal government. The integration of skiing with the second homes and lodging has been a popular development opportunity in the last twenty years with real estate that possesses direct ski access commanding a significant premium over land without.

HIGHEST AND BEST USE OF PROPERTY AS IMPROVED

The Dictionary of Real Estate Appraisal defines highest and best use of the property as improved as:

> 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.

In analyzing the Highest and Best Use of a property as improved, it is recognized that the improvements should continue to be used until it is financially advantageous to alter physical elements of the structure or to demolish it and build a new one.

Legally Permissible

As described in the Zoning Analysis section of this report, the subject site is zoned Martis Valley Community Plan. We also determined that the existing uses are permitted in this zone. Thus, continuation of the existing uses, or reconstruction of the existing uses would be permitted, if required.

Physically Possible

The subject improvements were constructed in 2005 to present in various phases by various parties. The improvements are in good condition. We know of no current or pending municipal actions or covenants that would require a change to the current improvements.

Financially Feasible and Maximally Productive

The values concluded herein for the Developed Property all indicate improved values which are well above the likely site value as if vacant.

CONCLUSION

It is our opinion that the existing improvements add value to the site as though vacant, dictating a continuation of its current use. It is our opinion that the Highest and Best Use of the subject property as improved is a mixed use resort as it is currently exists and is being developed or is proposed..

MOST LIKELY BUYER

The subject's size, type, and configuration make it a unique property with a much smaller buyer pool than more conventional real estate. An examination of recent sales activity in the market suggests there are buyers for master planned communities. As a result, we conclude that the most likely purchaser of the subject is a developer looking for a large project that can be purchased at a significantly lower price than replacement cost.

VALUATION PROCESS

METHODOLOGY

There are three generally accepted approaches to developing an opinion of value: Cost, Sales Comparison and Income Capitalization. We considered each in this appraisal to develop an opinion of the market value of the subject property. In appraisal practice, an approach to value is included or eliminated based on its applicability to the property type being valued and the quality of information available. The reliability of each approach depends on the availability and comparability of market data as well as the motivation and thinking of purchasers.

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

We considered each approach in developing our opinion of the market value of the subject property. We discuss each approach below and conclude with a summary of their applicability to the subject property.

Cost Approach

The Cost Approach is based on the proposition that an informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements which represent the Highest and Best Use of the land; or when relatively unique or specialized improvements are located on the site for which there are few improved sales or leases of comparable properties.

In the Cost Approach, the appraiser forms an opinion of the cost of all improvements, depreciating them to reflect any value loss from physical, functional and external causes. Land value, entrepreneurial profit and depreciated improvement costs are then added, resulting in an opinion of value for the subject property.

Sales Comparison Approach

In the Sales Comparison Approach, sales of comparable properties are adjusted for differences to estimate a value for the subject property. A unit of comparison such as price per square foot of building area or effective gross income multiplier is typically used to value the property. When developing an opinion of land value the analysis is based on recent sales of sites of comparable zoning and utility, and the typical units of comparison are price per square foot of land, price per acre, price per unit, or price per square foot of potential building area. In both cases, adjustments are applied to the unit of comparison from an analysis of comparable sales, and the adjusted unit of comparison is then used to derive an opinion of value for the subject property.

Income Capitalization Approach

In the Income Capitalization Approach the income-producing capacity of a property is estimated by using contract rents on existing leases and by estimating market rent from rental activity at competing properties for the vacant space. Deductions are then made for vacancy and collection loss and operating expenses. The resulting net operating income is divided by an overall capitalization rate to derive an opinion of value for the subject property. The capitalization rate represents the relationship between net operating income and value. This method is referred to as Direct Capitalization.

Related to the Direct Capitalization Method is the Yield Capitalization Method. In this method periodic cash flows (which consist of net operating income less capital costs) and a reversionary value are developed and discounted to a present value using an internal rate of return that is determined by analyzing current investor yield requirements for similar investments.

SUMMARY

This appraisal employs all three typical approaches to value: the Cost Approach, the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that all approaches would be considered meaningful and applicable in developing a credible value conclusion.

Sales Comparison Approach

We were unable to identify sufficient data to analyze the entire property through sales comparison. We researched the market for bulk sales of entire developments with infrastructure already in place, similar to the subject proposed phase. We did identify such sales in the market. However, specific information regarding most of these sales was unavailable due to confidentiality. We have been able to document acquisitions of partially completed master planned communities, however the physical, locational and economic characteristics of those sales were substantially different than the subject.

As with any master planned community, the extent of infrastructure and access and convenience to utilities is the major factor in pricing the property as is. The various types of product to be built can be analyzed by Sales Comparison Approach and then can be assembled into a cash flow analysis. Due to the nature of this assignment and the subject we have prepared several discounted cash flow analyses based on the various attributes of each phase of the development.

Development Approach

The estimate of *market value* is based on the Development Approach. This methodology is a derivation of discounted cash flow analysis which requires projections of a sellout period based on pricing for the various product types determined by Sales Comparison. The present value of the projected cash flow for each of the phases represents our estimate of market value for that particular phase. There was sufficient comparable data available in the marketplace to produce reliable estimates by this approach.

The present value of projected revenues, less associated costs and expenses, equals the subject property's value by Developmental Analysis. The basic steps employed in estimating market value are:

- research and analyze recent sales of developed land uses similar to those existing and proposed for the subject property;
- draw logical, developed land price conclusions for the subject property's existing proposed sites and parcels;
- estimate the rate of absorption based on demographic projections and historical trends at The Subject and in competitive developments;
- estimate costs and expenses, including entrepreneurial incentive necessary to develop the property to its highest and best use as concluded herein;
- subtract costs and expenses from gross revenues as each is projected to occur during the absorption period;
- conclude an appropriate discount rate for the present value analysis;
- apply the financial discounting process to the net cash flows to calculate the present value of the income stream; and
- the cumulative present value of the net cash flows equals the value estimate by Developmental Analysis or Discounted Cash Flow.

The value approaches will vary depending on what component of the subject is being valued. The following valuation sections will address each component separately as described previously. There was sufficient comparable data for this assignment to provide for reliable results.

- The Developed Property is not valued independently as we are utilizing the assessed values for that component of the subject. We will compare the assessed values to current sales activity in order to characterize the general reliability of the assessed values.
- The Future Development with Recent Activity will be valued in relation to the recent sales of these properties in relation to the market pricing of the proposed product for these parcels. A Development Approach will be applied with the results reconciled with what little sales information is available for this type of land.
- Future Development with On-Going Construction and Sales will be evaluated by the Development Approach. Since the recent sales have not yet been assessed by Placer County they will be added into the Development Approach at their actual sale prices.
- Future Development within the Mountainside II Tentative Map will be analyzed by the Development Approach and also reconciled with what little sales information is available in the market.

Developed Property

The developed property in Northstar California is comprised of condominiums, townhomes, and commercial space in the Village at Northstar as well as the Mountainside area. It also includes the existing Ritz-Carlton Hotel. As noted previously the assessed values for these parcels are utilized for the purposes of estimating the value of the Northstar CFD. This section of the report simply summarizes the assessed values and provides some current market information which helps characterize the relativity of the assessed values. It is noted that these assessed values are the basis for the taxation of the property by Placer County. Reference is made to the Real Property Taxes and Assessment section of this report for a description of the assessment of real estate in California based on Proposition 13. The assessed values do not necessarily reflect market value. Although these assessed values drive the property taxes they do not affect the Special Tax related to the Community Facilities District which has its own Rate and Method of Apportionment for establishing the tax amounts in the district. The following table summarizes the assessed values for the Developed Property at Northstar.

Northstar Developed Property Assessed Values - FY 2014-15

Project/APN	# of Units	Square Footage	Avg. Unit Size (SF)	Total Assessed Value	Assessed Value Per Unit	Projected Assessed Value*	Value/Sq. Ft.
Developed Property - Residential							
Great Bear Lodge	28	73,913	2,640	46,664,101	$1,666,575	$46,664,101	$631
Iron Horse North	26	33,900	1,304	$17,900,501	$688,481	$17,900,501	$528
Iron Horse South	46	63,765	1,386	$35,180,687	$764,798	$35,180,687	$552
Big Horn	52	64,664	1,244	$37,440,042	$720,001	$37,440,042	$579
Catamount	40	44,502	1,113	$26,316,535	$657,913	$26,316,535	$591
One Village Place	21	33,465	1,594	$17,769,852	$846,183	$17,769,852	$531
Village Walk Townhomes	12	31,680	2,640	$17,548,662	$1,462,389	$17,548,662	$554
Trailside Townhomes	16	58,773	3,673	$34,367,137	$2,147,946	$34,367,137	$585
Ritz Residences	23	38,715	1,683	$37,009,835	$1,609,123	$41,707,196	$1,077
Northstar Lodge (Welk Resorts)	34	51,062	1,502	$29,397,473	$864,632	$29,397,473	$576
Ritz Club Units (Constellation)	28	52,455	1,873	$39,091,919	$1,396,140	$39,091,919	$745
Home Run Townhomes	16	44,568	2,786	$16,508,098	$1,031,756	$32,739,387	$735
Martis 25 (4 Sold Lots)	4	0	0	$3,989,808	$997,452	$5,567,183	$0
Total Developed Property - Residential	346	591,462	1,729	$359,184,650	$1,038,106	$381,690,675	$645
Developed Property - Non-Residential							
Non-Residential/Village Commercial	52	82,535	1,587	$21,239,608	$408,454	$21,239,608	$257
Ritz Hotel	1	218,628	218,628	$44,462,154	$44,462,154	$44,462,154	$203
Total Developed Property - Non-Residential	53	301,163	5,682	$65,701,762	$1,239,656	$65,701,762	$218
Developed Property Totals	399	892,625	2,237	$424,886,412	$1,064,878	$447,392,437	$501

The above table indicates that the total projected assessed value for all of the developed property in the Northstar CFD which is in private ownership other than the developer is $447,392,437. This is the value which will be applied to the developed property for the purposes of this appraisal.

The Village at Northstar is comprised of six condominium buildings which contain 213 condominiums with commercial space on the main level. The average unit values for these parcels range from $657,913 to $1,666,575 with the per square foot values in the $531 to $631 range. We have reviewed recent sales of condominiums in the Village at Northstar for comparison to these assessed values. Generally the current market values and sale prices for condominiums in the Village are selling at about 20 percent below the initial sale prices in the first round of developer sales. The declines in sale prices have varied significantly as some more distressed lender sales have sold for as much as 65 percent less than the original acquisition prices. It should be noted that many units in the Village were purchased by vacation clubs or other owners which sold fractional interests in the units, typically at 1/8th shares. The average assessed values we have shown reflect the total assessments for any units which may have been sold as fractional ownership. The assessed values for the larger townhomes and luxury condominium units in the Mountainside area of the development have higher value indications than the Village which are consistent with the market. For the purposes of comparison we have summarized the condominium sales in the Village since January 2011 as shown in the following table.

Village at Northstar Condominium Sales from 1.1.11				
Unit #	**# Sales**	**Sq. Ft.**	**Sale Price**	**$/Sq. Ft.**
2011 Sales				
Totals	**18**	**24,553**	**$12,842,800**	
Averages		**1,364**	**$713,489**	**$523**
2012 Sales				
Totals	**15**	**20,836**	**$11,064,438**	
Averages		**1,389**	**$737,629**	**$531**
2013 Sales				
Totals	**5**	**7,704**	**$4,775,000**	
Averages		**1,541**	**$955,000**	**$620**
Minimums			**$135,000**	**$288**
Maximums			**$1,795,000**	**$668**

The above table indicates average sale prices in the $713,489 to $955,000 range. It is noted the average price increased from 2011 to 2012 and more significantly in 2013. These actual sale prices showed an average of $523 per square foot in 2011 and $531 per square foot in 2012 to $620 in 2013. These averages are consistent with the assessed values which validate the application of the assessed values for the purposes of this appraisal.

The existing Village Walk townhomes are assessed at an average of $1,455,883 per unit or $551 per square foot. The following table summarizes the sales activity for these townhomes.

Village Walk Phase 1 Sales Summary					
Year	# Units	Net Revenue	Avg. Unit Price	Avg. Unit Size	Price/Sq. Ft.
2008	2	$5,470,250	$2,735,125	2,582	$1,059
2009	10	$12,820,000	$1,282,000	2,582	$497
Totals	12	$18,290,250	$1,524,188	2,582	$590
Re-Sales		Original Purchase	Re-Sale Price	Avg. Unit Size	Price/Sq. Ft.
2010	1	$1,100,000	$1,500,000	2,677	$560
2011	1	$1,350,000	$1,700,000	2,640	$644
2012	1	$2,792,000	$1,695,000	2,677	$633
2013	0	$0	$0	0	$0
Listings		A	Asking Price	Unit Size	Price/Sq. Ft.
2014	1		$1,750,000	2,677	$654

The above table indicates that perhaps the assessed values for these townhomes are slightly below the current market. However there have been only a few sales and the assessed values appear to be reasonably consistent with historical sales figures.

Trailside Townhomes are in the Mountainside area at Northstar and are assessed at an average of $2,201,882 or $599 per square foot. The following table summarizes the square footage for the sales activity in these townhomes.

Trailside Townhome Sales Summary					
Year	# Units	Net Revenue	Avg. Unit Price	Avg. Unit Size	Price/Sq. Ft.
2007	5	$16,003,000	$3,200,600	3,540	$904
2008	7	$28,692,428	$4,098,918	3,910	$1,048
2010	4	$14,600,000	$3,650,000	3,427	$1,065
Totals	16	$59,295,428	$3,705,964	3,673	$1,009
Re-Sales		Original Purchase	Re-Sale Price	Avg. Unit Size	Price/Sq. Ft.
2010	1	$2,870,000	$1,998,000	3,500	$571
2011	0				
2012	0				
2013	0				
Listings			Asking Price	Unit Size	Price/Sq. Ft.
2014	1		$2,095,000	3,390	$618
2014	1		$2,295,000	3,552	$646

The average sale price of the developer sales was over $1,000 per square foot which is well above the assessed value. There has been only one re-sale of a Trailside unit at $571 per square foot. The current listings are in the $600+ per square foot range. Overall it would appear the assessed values are reasonable and reflect the decline in the market which has taken place.

The Ritz Residences are 23 luxury condominiums located in the same building as the Ritz-Carlton Hotel on the upper levels. These units were brought to the market in 2007 and at one time most units were under contract. However, construction delays and the market decline resulted in no closed sales. Since their recent acquisition out of bankruptcy the new owners have sold fifteen of these units. The assessed values on these units average $1,601,852 or $952 per square foot. The sale prices for these units are summarized in the following table.

Ritz Carlton Condominium Sale Prices				
Unit #	**Sale Date**	**Sq. Ft.**	**Sale Price**	**$/Sq. Ft.**
375	2/28/2013	2,056	$2,050,000	$997
674	3/19/2013	1,876	$1,750,000	$933
671	3/28/2013	2,203	$2,200,000	$999
670	3/28/2013	1,554	$1,330,000	$856
608	4/22/2013	1,873	$2,060,000	$1,100
673	7/10/2013	1,863	$1,700,000	$913
675	8/8/2013	1,876	$1,700,000	$906
603	8/30/2013	2,339	$2,650,000	$1,133
374	10/3/2013	1,924	$2,150,000	$1,117
650	12/6/2013	3,407	$4,560,000	$1,338
609	1/2/2014	1,863	$1,590,000	$853
370	1/3/2014	1,697	$1,350,000	$796
651	1/17/2014	3,407	$4,110,000	$1,206
604	1/17/2014	2,339	$3,250,000	$1,389
601	4/4/2014	2,347	$2,750,000	$1,172
Totals	**15**	**32,624**	**$35,200,000**	**$1,079**
Averages		**2,175**	**$2,346,667**	**$1,079**

The sale prices appear to be consistent with the market. These prices are mostly above the average assessed values per the assessor.

The Northstar Lodge was developed as a fractional condominium project by Hyatt which was completed in 2007 with 34 units in Phase 1 and two future phases providing for another 69 units. The assessed values for these units are at an average of $860,725 per unit or $573 per square foot which is consistent with the Village condominiums analyzed previously. This Hyatt project was being sold as fractional ownership for 1/8th shares until the market for fractional interests was negatively affected by the decline in the market. Hyatt ceased marketing as fractional shares and contemplated sales as whole ownership. The new owner, Welk Resorts, intends to develop the project as a part of their vacation club and will be making sales based on the point system for their properties. As we are not evaluating this project, or any others in Northstar, on the basis of fractional ownership we have reviewed the limited sale data for this project. We did not identify the historical sales for this project, but as of the date of value there was only one unit for re-sale at an asking price of $1,250,000 or $714 per square foot for a 1,750 square foot 2 bedroom unit.

The Ritz Club, now Constellation, was also originally marketed as a 1/12th share fractional ownership luxury condominium project adjacent to the west of the Ritz-Carlton Hotel. The new owner purchased this property from the Ritz-Carlton Development Company (RCDC) in November and intends to market the remaining 17 units as whole ownership, and will also develop Phase 2 as whole ownership. The fractional interests already sold, and the remaining shares in those units, are accessed through the RCDC company inventory through its Marriott Points system. The following table summarizes the most recent sales from this project.

Constellation Residences Recent Sales

Unit #	Sale Date	Sq. Ft.	Sale Price	$/Sq. Ft.
407	8/15/2012	1,868	$1,539,000	$824
207	8/17/2012	1,868	$1,479,000	$792
202	9/28/2012	2,395	$2,149,000	$897
403	11/15/2012	1,454	$995,000	$684
203	1/16/2013	1,454	$945,000	$650
103	11/22/2013	1,435	$1,175,000	$819
Totals	**6**	**10,474**	**$8,282,000**	**$791**
Averages		**1,746**	**$1,380,333**	**$791**

The assessed values indicated for these units average $1,298,678 per unit or $693 per square foot. This is below the average of the six most recent sales of $791 per square foot.

Non-Residential property in the Village at Northstar represents the commercial condominiums in the ground level space of the 6 buildings in the Village. There is actually over 100,000 square feet of this space but for the purposes of this analysis we have analyzed only the 82,535 square feet which is taxable within the Northstar California CFD. The assessor has valued the 24 units/tenant spaces which make up this taxable unit at $29,163,948 which equates to $1,215,165 per unit or $353 per square foot. This assessment is considerably below the residential assessed values, which is appropriate given the seasonality of the businesses in these spaces. These commercial units are essentially support services for the residential development and most are closed in the off season months between summer and winter. We were not provided a rent roll or any operating information regarding the actual income of this space. The assessed value at $353 per square foot would imply a $32 per square foot net rent assuming a 9 percent capitalization rate. This is consistent with seasonal rents we are aware of in other ski resort towns and overall the assessor's valuation of this space is considered reasonable for the purposes of this appraisal.

The Ritz-Carlton hotel is a high quality luxury hotel with over 400,000 square feet of gross building area including the structured parking. Similar to the commercial space in the Village not all of this square footage is taxable. There is a total of 218,628 square feet, which is essentially the 170 hotel rooms, food and beverage, and meeting space component of the hotel, which is taxable. This space has been valued by the Placer County assessor at $44,261,210, or $290 per square foot or $260,360 per room. In order to evaluate the reasonableness of this estimate we have reviewed other luxury hotel sales in the market which are typically analyzed on a per room basis. These sales are summarized in the following table.

Summary of Improved Sales

Property Information						Transaction Information				
No.	Property Name	City	State	Number of Units	Year Built	Grantor	Grantee	Sale Date	Sale Price	$/Unit
S	Subject Property	Truckee	CA	170	2009					
1	Lake Placid Lodge	Lake Placid	NY	30	1882	CR LPL, LLC	Ocean Properties, Ltd	Feb-13	$19,000,000	$633,333
2	Ritz-Carlton Lake Tahoe	Truckee	CA	170	2009	Truckee (CA)-Highlands Syndicated Holdings, LLC	KW-Northstar Ventures, LLC	Dec-12	$71,000,000	$417,647
3	Snake River Lodge	Teton Village	WY	93	1968	CPI-LCP JACKSON HOLE OWNER, LLC	Brookw ay Corporation	Jul-12	$20,000,000	$215,054
4	The Sky Lodge	Park City	UT	22	2007	WestLB Securities Inc.	Argentum Sky LLC	Mar-12	$8,850,000	$402,273
5	Ritz-Carlton Bachelor Gulch	Avon	CO	206	2002	N/A	Gencom Group	Feb-12	$61,000,000	$296,117
6	Four Seasons Resort	Teton Village	WY	124	2003	The Woodbridge Co.	Strategic Hotels & Resorts, Inc.	Mar-11	$36,358,025	$293,210
Low				30	1882		Survey Minimum	Mar-11	$8,850,000	$215,054
High				170	2009		Survey Maximum	Feb-13	$71,000,000	$633,333
Average				104	1979			May-12	$36,034,671	$376,272

Compiled by Cushman & Wakefield of Colorado, Inc.

The sales shown above are all in mountain ski resort towns with sale prices ranging from $215,054 to $633,333 per room with an average of $376,272 per room. The assessed value fits well within the lower end of this range and the overall average. In addition to these comparables we have also considered the recent acquisition of the Ritz-Carlton Hotel by Kennedy Wilson at a reported purchase price of approximately $71 million which equates to $417,647 per room. This price is considerably above the assessed value but also includes the entire project and not just the taxable area. Overall the assessment of the taxable property is considered appropriate to utilize in the valuation of the subject per the purpose of this appraisal.

CONCLUSION

This section of the report has reviewed the Placer County assessment's of the developed property in the Northstar Community Facilities District No. 1. These values have been reviewed in comparison to the actual market activity relevant to each component. Overall these comparisons affirm that the assessed values can be reasonably relied upon for the purposes of this appraisal. They are generally consistent with the actual sales activity and seem to represent reasonable conclusions.

Future Development with Recent Activity

The property within this category represents future phases of existing projects within the subject CFD which have recently traded in the market between private parties not associated with the master developer of the Northstar CFD, East West Resorts. These projects represent finished sites with all infrastructure in place. Following is a summary of the sites in this category.

Northstar CFD Site Summary					
	# Units				
Project Name	Condominiums	Townhomes	Lots	Square Feet	Status
Future Development with Recent Activity					
Ritz Carlton East Parcel	61				Sold to Kennedy Wilson 12/12
Ritz Carlton West Parcel	50				Sold to JMA Ventures 12/11
Hyatt Phase 2	37				Sold to Welk Resorts 3/13
Hyatt Phase 3	32				Sold to Welk Resorts 3/13
Sub-total Future Development	**180**				

The valuation of these parcels is difficult for several reasons. One is that each parcel was purchased as part of a larger transaction involving more property. Only one of the transactions actually had an allocation made to the land component. There are virtually no recent high density development land transactions available in any of the western ski resort towns due to the depressed market conditions of the last five years. Due to the lack of land sales we have applied a Development analysis as well, but the assumptions are difficult to support due to the lack of activity over the past few years as well as the lack of information as to what might be proposed for these parcels. Following is a discussion of each parcel.

Ritz-Carlton East Parcel

The Ritz-Carlton East Parcel is located just downhill to the east of the Ritz-Carlton Hotel along Mountainside View Drive. This 3.4 acre site has entitlements for 61 condominium units. The original plan was to construct Ritz Residences similar in quality to the condominiums in the hotel building. Kennedy Wilson executed a separate transaction for this parcel in the transaction for the entire hotel property. The total purchase price was reported in public documents to be $73.6 million. Details of the sale price allocated to the Ritz East parcel are known by the appraiser but are confidential. The buyer indicated there are no immediate plans for development or disposition of the property as of the date of value.

Ritz-Carlton West Parcel

The Ritz-Carlton West is on the uphill side of the Ritz-Carlton with good ski access. This property includes an existing 28 unit condominium building which was originally marketed as fractional interest but is now offered as fee ownership for any units not partially sold. The Phase 2 site is entitled for 50 units. The purchase price for this project was not part of the public record and the buyer would not disclose the total price. The new owner does not have specific plans for development at this time. Ultimately it will most likely be luxury condominiums similar to the existing product. Information gathered from CoStar Group indicated a sale price of $3,750,000 allocated to this site which equates to $61,475 per unit. This is considered a good benchmark for per unit pricing in the Northstar development.

Hyatt Phase 2 and Phase 3

Hyatt Phase 1 is a completed 34 unit luxury condominium property which was being sold as fractional ownership with 1/8th shares. Welk Resorts just purchased this project with the intent of ultimately marketing it as part of their luxury ownership resorts which include other locations. The purchase included 21 unsold condominiums in the existing Northstar Lodge as well as the entitled sites for Phase 2, 37 units and Phase 3, 32 units. In March 2014 the planning process for Phase 2 (Building B) was initiated with construction to begin summer of 2014 and substantial completion by August 2015. Welk Resorts is moving forward with construction documents for Phase 3 (Building C) with a tentative projected start date of early 2016. Phase 2 will have 30 units although it is entitled for 37. These will be 2 and 3 bedroom condominium units being sold as weekly timeshare with an average price of $58,000. Welk Resorts is a multi-site/multi-location time share developer with a points based club and projects sell out of the Phase 2 Northstar units in approximately 1.5 years. The purchase price for this property was reported to be just under $10 million and the buyer indicated their purchase was based solely on the acquisition of the unsold units in Phase 1 as they fit into their vacation club business plan. The buyer did not provide an allocation of value to the future development sites at the time of sale and viewed them as a bonus to the acquisition of the existing units.

In order to thoroughly analyze the market value of these sites we have utilized both the Sales Comparison Approach as well as the Development Approach. In the land valuation we have utilized sales from other western resort ski towns as well as the Ritz East parcel discussed above. Following is our discussion of land value by Sales Comparison.

LAND VALUATION

We used the Sales Comparison Approach to develop an opinion of land value. We examined current offerings and analyzed prices buyers have recently paid for comparable sites. The most widely used and market-oriented unit of comparison for properties with characteristics similar to those of the subject is price per unit and this will be applied in our analysis. Price per square foot of land area or price per square foot of building area are also utilized in some cases but in our opinion the price per unit is best for this analysis. The major elements of comparison used to value the subject site include the property rights conveyed, the financial terms incorporated into the transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its utility and the physical characteristics of the property.

The land sales data analyzed in this section was verified in the ski town markets of Park City, Utah and Breckenridge, Colorado. The Park City market is considered particularly relevant to the Truckee area as it relies on Northern California as a primary feeder market. The short 1 hour and 20 minute flight time and close proximity of the resorts to the airport actually results in similar commute times as the drive from San Francisco to Northstar. We have researched most major ski resorts in the Western U.S. to find current land sales. There is abundant data of similar sites from the 2004 to 2007 time period which would require substantial downward adjustment for market conditions. In our opinion it was most important to have current data which reflects the re-pricing which occurred in the market after 2007. It was also most important to identify sales with direct ski access. This is why we did not utilize any local sales from the Truckee market as they would require substantial adjustment for the lack of ski access.

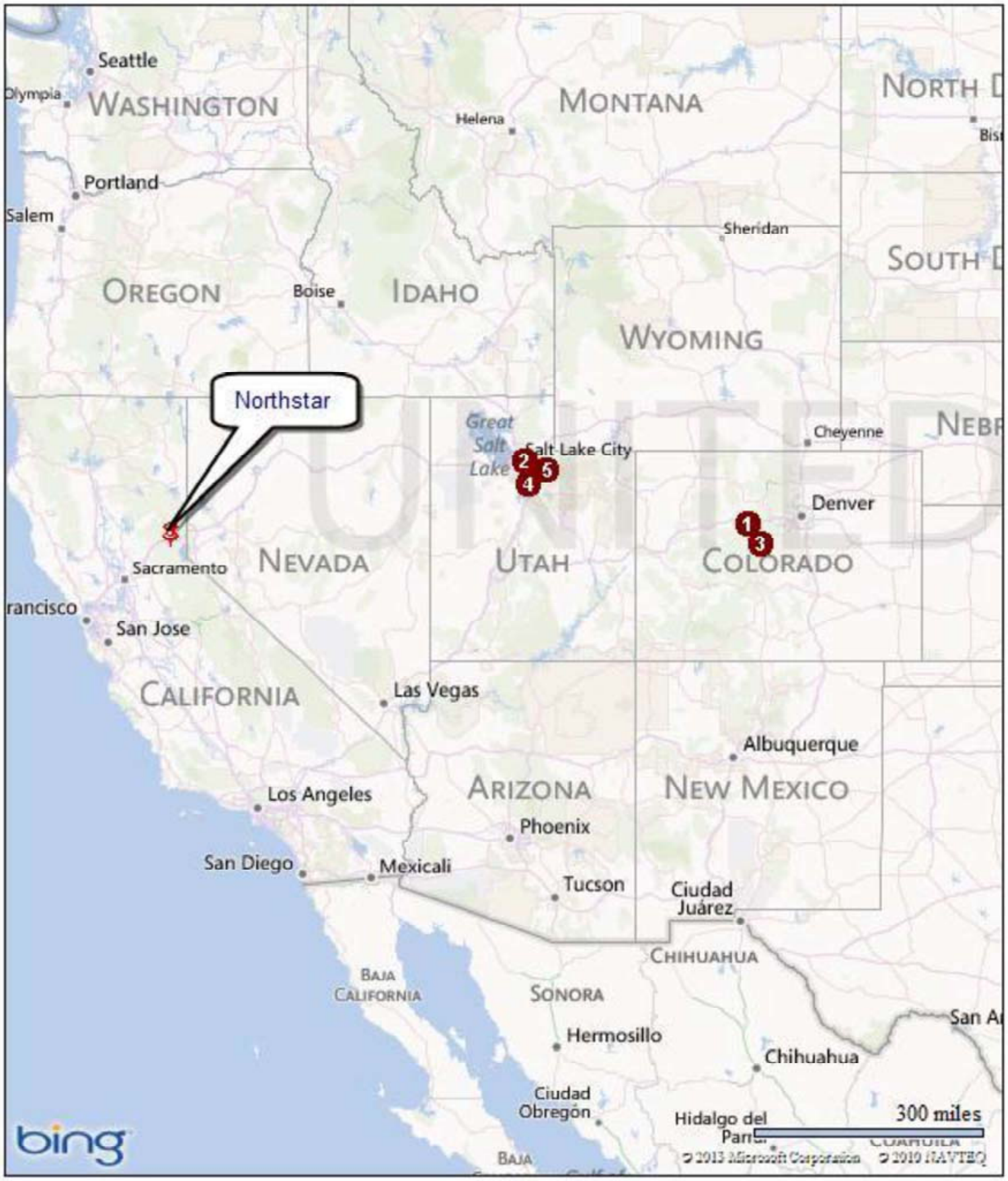
Our analysis is going to consist of qualitative adjustment discussion only. The divergent sale prices do not lend themselves to the typical percentage adjustment grids. The comparables and our analysis are presented on the following pages.

SUMMARY OF LAND SALES

PROPERTY INFORMATION								TRANSACTION INFORMATION						
[illegible]	[illegible]	Size (Acres)	No. Of Units	Proposed Use	Zoning	Site Utility	Public Utilities	Grantor	Grantee	Property Rights Conveyed	Sale [illegible]	[illegible]	$/SF [illegible]	[illegible]
S	Subject Property		50	Residential-Condo/PUD	Martis Valley Community Plan et al	Good	All available							
1	1627 East Ski Hill Road, Breckenridge, CO	2.10	75	Residential-Multi-Family	PUD	Good	All Available	Vail Resorts, Inc.	Breckenridge Grand Vacations Inc.	Fee Simple	5/13	$11,100,000	$121.34	$148,000
2	Miners Club Phase II, 2105 Frostwood Blvd., Park City, UT	2.70	123	Residential-Condo/PUD	Martis Valley Community Plan et al	Good	All Available	ARD Park City LLC	Gardiner Properties Canyons LLC	Fee Simple	12/12	$5,725,000	$48.68	$46,545
3	Water House on Main Street, 505 Main Street, Breckenridge, CO	[illegible]	[illegible]	[illegible] Condo/PUD	[illegible]	[illegible]	[illegible] Available	Water House on Main Street, LLC	RCS-Water House LLC	Fee Simple	12/12	$3,000,000	$88.99	$103,448
[illegible]	[illegible] Fairway Lane, Park City, UT	[illegible]	[illegible]	[illegible] Condo/PUD	[illegible]	[illegible]	[illegible] Available	Fairway Springs, LLC	Fairway Springs Partners, LLC	Fee Simple	7/11	$8,500,000	$32.85	$197,674
5	Frostwood F4 - Canyons SPA, Cooper Lane, Park City, UT	1.16	19	Residential-Condo/PUD	Canyons SPA	Good	All Available	FDIC as Receiver for Barnes Banking Co	Robert A. Bryson	Fee Simple	9/10	$800,000	$15.83	$42,105
STATISTICS														
Low		0.77	19								9/10	$800,000	$15.83	$42,105
High		5.94	123								5/13	$11,100,000	$121.34	$197,674
Average		2.53	58								4/12	$5,825,000	$61.54	$107,555

Compiled by Cushman & Wakefield of Colorado, Inc.

LAND SALE LOCATION MAP



DISCUSSION OF ADJUSTMENTS

Property Rights Conveyed

The property rights conveyed in a transaction typically have an impact on the sale price of a property. Acquiring the fee simple interest implies that the buyer is acquiring the full bundle of rights. Acquiring a leased fee interest typically means that the property being acquired is encumbered by at least one lease, which is a binding agreement transferring rights of use and occupancy to the tenant. A leasehold interest involves the acquisition of a lease, which conveys the rights to use and occupy the property to the buyer for a finite period of time. At the end of the lease term, there is typically no reversionary value to the leasehold interest. Since we are valuing the fee simple interest as reflected by each of the comparables, an adjustment for property rights is not required.

Financial Terms

The financial terms of a transaction can have an impact on the sale price of a property. A buyer who purchases an asset with favorable financing might pay a higher price, as the reduced cost of debt creates a favorable debt coverage ratio. A transaction involving above-market debt will typically involve a lower purchase price tied to the lower equity returns after debt service. We analyzed all of the transactions to account for atypical financing terms. To the best of our knowledge, all of the sales used in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments were required.

Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations the conditions of sale may significantly affect transaction prices. However, all sales used in this analysis are considered to be "arms-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required.

Market Conditions

The sales that are included in this analysis occurred between July 2007 and December 2012. The market has fluctuated over this time period, reflecting the subprime crisis that began in August 2007, and the ensuing credit crisis that began in September 2008. Our intent was to identify as many land sales as possible which occurred after the significant decline in the market. In our opinion Sales 6 and 7 represent the escalated pricing from the peak market years and will require downward adjustment. The others sales are considered to be post decline and represent sales in market conditions more consistent with the current market.

Location

An adjustment for location is required when the locational characteristics of a comparable property differ from those of the subject property. The subject property is rated average in location. We made a downward adjustment to those comparables considered superior in location compared to the subject. Conversely, an upward adjustment was made to those comparables considered inferior.

Size

The adjustment for size generally reflects the inverse relationship between unit price and lot size. Smaller lots tend to sell for higher unit prices than larger lots, and vice versa. Therefore, upward adjustments were made to larger land parcels, and downward adjustments were made to smaller land parcels.

Public Utilities

The availability of public utilities has a significant impact on the value of a property. Municipal utility providers often, but not always, provide utilities such as gas, water, electric, sewer, and telephone. It is therefore important to understand any differences that may exist in the availability of public utilities to the subject property and its comparables. All of the sales, like the subject, had full access to public utilities at the time of sale. Therefore, no adjustments were required.

Utility

The subject parcel is adequately shaped to accommodate a typical building. All of the parcels are graded level with street access and ready to build.

Other

In some cases, other variables will have an impact on the price of a land transaction. Examples include soil or slope conditions, restrictive zoning, easements, wetlands or external influences. In the case of the subject and comparable parcels ski accessibility is significant and will be analyzed.

DISCUSSION OF COMPARABLE SALES

Comparable Sale 1 was sold by Vail Corporation to the Grand Vacations subsidiary for development of a 75 unit time share project at the base area of Breckenridge's Peak 8 lift. This project is proposed to be a 5 story structure with planned amenities including a spa, café, and movie theaters. It is projected to be an $80 million construction project.

Comparable Sale 2 represents the sale of a 2.7 acre parcel located near the base village of Canyons Resort in Park City, Utah. This parcel was platted as Phase 2 of the Club Regent development which was built in 2001. This Phase 2 parcel is adjacent to the pulse gondola which provides access to the base village and does have ski to potential when snow conditions are good. This parcel sold in December 2012 for $5,725,000 or $46,545 per unit. The property is across the street from the Waldorf Astoria and has other surrounding townhome and condominium development. Overall it is considered generally similar to the Northstar parcels. Canyons Resort is a much larger mountain and a more extensive ski experience than Northstar but the proximity to the San Francisco Bay area is superior. Given the challenges of the ski access to this parcel we would project a higher sale price for the subject parcels. This parcel also has considerably more potential units than the subject or any of the comparables and some upward adjustment on a per unit basis would be appropriate.

Comparable Sale 3 is the sale of a failed project with an existing foundation for 29 condominium units on Main Street in Breckenridge. The property sold in December 2012 for $3,000,0000 or $103,448 per unit. There appears to have been some value attributed to the foundation.

Comparable Sale 4 was the sale of the Fairway Springs project which is adjacent to Sale 1 near the pulse gondola serving the area just below the base village of Canyons Resort. This property sold for $8,500,000 and included a finished townhome unit and completed subdivision infrastructure for 43 platted townhome pads totaling 81,490 square feet. The property does not have direct ski access but is in generally good proximity and walking distance to ski access. The $197,674 per unit sale price is higher due to the inclusion of a finished unit. We would not anticipate this high of a value for the subject parcels.

Comparable Sale 5 is proximate to Sales 2 and 4 near the Canyons Resort base village on Cooper Lane. However it has inferior ski access. This was sold by the FDIC as Receiver for a local Utah Bank. It is entitled for 38,000 square feet of building area and had been proposed for a resort condominium development prior to the decline in the market. The property sold in July 2010 for $800,000 or $42,105 per unit. Given its poor ski access and location further from the base village we would expect a higher achievable price for the subject.

CONCLUSION OF SITE VALUES

The lack of current comparable land sales in the Lake Tahoe area required looking to other ski resort towns for land sales. Adjustments and comparisons were discussed. Sale 1 is the most recent sale and represents a good comparable as it has good ski access. Sale 2 is also recent and is a good comparable as it represent the Phase 2 parcel adjacent to an existing project with amenities and good ski access, which is a similar scenario for all three of the subject parcels. For the purposes of illustrating where we feel the Northstar subject photos fit in we have arranged the comparable sales in an array from highest price to lowest price per unit as follows:

Comparable Value Array		
Northstar Parcels		
Sale #	Unadjusted Unit Price	Overall Ranking
4	$197,674	Superior
1	$148,000	Superior
3	$103,448	Superior
Subject		
2	$46,545	Inferior
5	$42,105	Inferior

The above table suggests it is appropriate to conclude a value between approximately $50,000 to $100,000 per unit for these subject parcels. There are some subtle differences among the comparables with the Ritz East Parcel having the best ski access with good proximity to the Ritz-Carlton. The Ritz West parcel is considered slightly inferior due to ski access and topography. The Hyatt site is in the base village is considered inferior to the Mountainside location of the Ritz parcels. Based on the concluded range of pricing for the subject it is my opinion the market values of the Future Development parcels with recent activity are as follows:

AS IS VALUE CONCLUSIONS	Hyatt Parcels	Ritz West Parcel	Ritz East Parcel
Indicated Value	$75,000	$90,000	$100,000
Unit Measure	69	x 61	x 50
Indicated Value	$5,175,000	$5,490,000	$5,000,000
Rounded to nearest $100,000	$5,200,000	$5,500,000	$5,000,000
$/Unit Basis	$75,362	$90,164	$100,000
LAND VALUE CONCLUSION	$5,200,000	$5,500,000	$5,000,000
$/Unit Basis	$75,362	$90,164	$100,000
Grand Total	**$15,700,000**		

Compiled by Cushman & Wakefield of Colorado, Inc.

DEVELOPMENT APPROACH

We did apply a development approach to these three recently acquired parcels. The detail of these approaches is has been retained in our file. The analysis is similar to that applied to the Future Development land later herein. For informational purposes we have prepared a summary of the value indications from these discounted cash flow analyses. However we have not given consideration to these values as there were no specific development plans or budgets available and the previously concluded value of $15,700,000 by Sales Comparison Approach is more consistent with the recent sale activity of these parcels.

Development Analysis Summary Future Development w/ Recent Activity						
Project	# Units	Total Sales Revenue	Total Expenses	As Is Value	Per Unit	Discount Rate
Ritz Carlton West	50	$82,859,997	$44,556,844	$11,800,000	$236,000	20.00%
Ritz Carlton East	61	144,120,507	$79,730,141	$20,800,000	$340,984	20.00%
Hyatt	69	$97,685,496	$58,606,859	$14,400,000	$208,696	20.00%
Future Development w/ Recent Activity	180	$324,666,000	$182,893,843	$47,000,000	$261,111	

The above value indications are obviously much higher than the value conclusions from the Sales Comparison Approach. These prices are clearly above the value allocations we were able to discern from the recent purchases of these parcels. The $11,800,000 value indication above for the Ritz-Carlton West parcel is well above the $3,700,000 indicated in public records and over half of the $19.5 million purchase price which included

17 completed units. The $20,800,000 value indication for the Ritz-Carlton East parcel is 28 percent of the total $73.6 million paid for the entire hotel property and the $14,400,000 indicated for the Hyatt parcels is higher than the $10 million acquisition cost of the entire Northstar Lodge including 21 existing units and the land. These higher indications suggest the price per unit indications from the Sales Comparison analysis may be quite conservative but are indicative of the distressed situations which existed for each of these properties at the time of sale. What is most significant for the overall Northstar CSD is that these projects are now in the ownership of well capitalized companies at a basis which allows them to hold the land as the market recovers and develop the sites as demand allows. For the purposes of this appraisal we have not given any consideration to the Development Approach indications for these parcels.

Development Approach

The previous discussion of Valuation Methodology outlined the process for the Developmental Analysis. The Sales Comparison Approach will first be employed to determine the appropriate pricing for the proposed subject product which is primarily condominiums, with townhomes, and some single family lots. Once market pricing is concluded the potential absorption of these lots is projected. Then a discussion of development costs, selling costs, and holding costs is presented to analyze all items to be recognized in the Discounted Cash Flow.

This Development Approach is intended to cover the primary discussion for all of the discounted cash flows applied herein.

PRODUCT PRICING

The subject is a unique ski area development. As has been mentioned there are very few ski areas that have as much, if any, privately owned land at mid-mountain amongst the ski runs. Most ski areas are on leased federal land which prohibits development. This attribute has proven to command a premium in the markets it is available such as Snowmass, Colorado, Park City, Utah or Big Sky, Montana. The primary considerations for pricing at Northstar will be the current sales activity at Northstar as well as the Lake Tahoe area. We will utilize some sales information from other resort areas to provide greater market context for the local pricing.

Condominium Pricing

The Future Development parcels discussed above are most likely to be developed with condominiums similar in style and quality to the existing projects they are attached to. The future condominiums in the Mountainside Tentative maps are anticipated to have varying degrees of quality and price points on a project by project basis. However, these nuances are not discernible at this time due the long range development horizon for the subject. Therefore our analysis of these parcels will apply an average condominium price. In determining this price we have reviewed the actual pricing currently evident in the Village at Northstar and have given consideration to the fact that all future development will be in smaller projects with less density which will have direct ski access and good views. It is appropriate to apply an average for such a long term project as projecting project specific nuances is highly subjective.

Reference is made to the summary of the recent sales in the Village at Northstar discussed in the Developed Property section. This activity is summarized below.

Village at Northstar Condominum Sales				
	# Sales	Sq. Ft.	Sale Price	$/Sq. Ft
2011 Sales				
Totals	18	24,553	$12,842,800	
Averages		1,364	$713,489	$523
2012 Sales				
Totals	15	20,836	$11,064,438	
Averages		1,389	$737,629	$531
2013 Sales				
Totals	13	20,733	$12,484,000	
Averages		1,595	$960,308	$602
2014 Sales				
Totals	2	2,405	$1,367,000	
Averages		1,203	$683,500	$568

Source: Tahoe Sierra MLS

The average sale price in the Village has been increasing since 2011 which is consistent with declining inventories in distressed properties and more limited supply combined with increasing demand. It is noted that average sale price of the first 100 units in the Village which sold pre-completion was $827 per square foot and Phase 2 had 84 units pre-sold at an average of $1,079 per square foot through year end 2006. Thus the current pricing is approximately 55 to 60 percent of the peak market pricing. There are currently 24 units for sale in the Village with the following summary of their pricing. In the trough of the market there were over 60 units available for sale. However it is noted that last year there was a low of 11 units listed. The increase in the listings in 2014 suggest that these listings may be some of the “shadow inventory” of owners not forced to sell in the recession but waiting for improvement in the market before selling.

Village at Northstar Condominum Listings

	# Sales	Sq. Ft.	Asking Prices	$/Sq. Ft
2014 Listings				
Totals	24	34,766	$23,397,500	
Averages		1,364	$713,489	$523
Minimum		817	$495,000	$606
Maximum		2,677	$1,595,000	$596

Source: Tahoe Sierra MLS

For the purposes of the Future Development Mountainside Tentative Map we will be applying a beginning average price of $575 per square foot for an average 1,500 square foot condominium which equates to an average price of $862,500 which fits well within the range of actual sale prices in the Village. Regarding the market position of this conclusion reference is made to the market analysis section of this report which presented the sale pricing for other parts of the Lake Tahoe Basin. The overall pricing for condominiums in the Lake Tahoe Basin is significantly lower due to the much older product. Development constraints in the basin have kept out the introduction of new product. In addition the ski access for the subject allows a premium over the other product surrounding Lake Tahoe. While it could be argued the Mountainside projects may have superior ski access this is speculative and some will be better than others, making the Village a reasonable equivalent.

Squaw Valley

Squaw Valley is among the most competitive areas to Northstar in the Lake Tahoe area due to its close location and orientation on the north end of the Lake Tahoe Basin closer to I-80 which is the major transportation link. For the purposes of our analysis we have reviewed recent condominium sales activity in Squaw Valley. This area does not have as much new product as the subject and thus data summarized in the following tables represents an overall much older product type which should be given consideration when making comparisons.

Squaw Valley Condominium Sales

	# Sales	Sq. Ft.	Sale Price	$/Sq. Ft
2013 Sales				
Totals	47	45,868	$23,272,637	
Averages		976	$495,162	$507
2014 Sales				
Totals	19	16,696	$8,602,000	
Averages		879	$452,737	$515

Source: Tahoe Sierra MLS

The above table indicates averages of much smaller unit sizes, indicative of the age, as well as average prices per square foot around $500. As the average unit price is under $500,000 there is more overall sales activity generated in part by this lower price point.

Deer Valley/Park City

For the purposes of comparison we have reviewed the sales activity in the Empire Pass area of Deer Valley Resort which are located with ski in/ski out access to Deer Valley Resort in Park City, Utah. These represent the most recently completed projects in the Village at Empire Pass development which incorporates many different development projects much the same as that proposed for Northstar. Deer Valley has been rated the Number 1 ski resort by ski magazine several times in the past five years and is regarded as a more upscale market and superior ski experience to Northstar. The following table summarizes the sales in this area since January 2012.

Empire Pass Condominium Sales from 1/1/2012								
Project/Unit #	BD	BA	Sq. Ft.	List Price	Sold Price	Price/Sq. Ft.	Date Sold	DOM
Grand Lodge								
201	3	4	2,037	$1,749,900	$1,350,000	$663	12/14/2012	745
304	3	4	2,067	$1,895,000	$1,650,000	$798	9/7/2012	1,037
305	3	4	2,067	$1,999,000	$1,750,000	$847	1/17/2013	374
Shooting Star								
304	2	3	1,442	$1,250,000	$1,150,000	$798	3/26/2012	204
406	3	4	2,114	$1,749,000	$1,725,000	$816	4/24/2013	225
Arrowleaf								
401	2	3	1,446	$1,385,000	$1,365,000	$944	10/12/2013	119
514	2	3	1,587	$1,450,000	$1,360,000	$857	2/5/2013	137
202	3	4	1,838	$1,595,000	$1,575,000	$857	12/13/2012	211
212	3	4	1,812	$1,695,000	$1,600,000	$883	11/21/2013	188
310	3	4	1,802	$1,700,000	$1,600,000	$888	7/26/2013	349
516	3	4	1,973	$1,975,000	$1,775,000	$900	6/18/2012	241
Flagstaff								
102	3	4	2,140	$1,836,000	$1,836,000	$858	11/13/2012	739
208	3	4	2,140	$1,935,000	$1,912,500	$894	9/11/2012	115
207	3	4	2,140	$2,399,000	$2,112,500	$987	1/7/2014	143
403	3	4	1,983	$3,450,000	$2,070,000	$1,044	3/6/2012	566
507	4	5	2,769	$6,000,000	$3,600,000	$1,300	3/8/2012	555
Silver Strike								
302	4	5	2,291	$1,875,000	$1,635,000	$714	7/16/2012	1,997
707	4	5	2,255	$1,995,000	$1,895,000	$840	7/16/2012	322
302	4	5	2,291	$2,195,000	$2,050,000	$895	6/26/2013	111
705	4	5	3,386	$3,382,000	$2,850,000	$842	5/14/2012	271
602	4	5	2,959	$3,700,000	$3,500,000	$1,183	2/3/2014	20
Total Sales			21					
Minimum			1,442	$1,250,000	$1,150,000	$663		20
Maximum			3,386	$6,000,000	$3,600,000	$1,300		1,997
Average			2,121	$2,248,090	$1,921,952	$896		413
% of List Price					85.5%			

Source: Park City MLS

As noted in the previous table this project has achieved pricing with a range of $663 to $1,300 per square foot with an average of $896 per square foot. This pricing is typical of the more standard luxury condominiums in Deer Valley which, as mentioned, is regarded as superior to Northstar in terms of the ski experience. However it seems the efforts of Vail Resorts since their acquisition of Northstar ski area in 2010 is elevating the Northstar brand and market perception which could allow for price increases at Northstar over time.

Deer Valley also has two branded luxury hotel/condominium projects similar to the Ritz-Carlton at Northstar. One is Montage and the other is a St. Regis. The Montage is the most recently completed and currently represents the top of the market in Park City market in terms of pricing and quality. The sales in this project are summarized for the purposes indicating the strength of demand for high quality projects with ski access. The evidence of strong demand at these higher price points is considered a favorable trend in the market as the potential buyer pool grows larger in the lower priced market.

Montage Sale Prices as of 2/11/2014						
#	# Sales	Sq. Ft.	List Price	Price/Sq. Ft.	Sale Price	Price/Sq. Ft.
2011 Totals	14	39,199	$65,760,000		$50,960,400	
Averages		2,800	$4,697,143	$1,678	$3,640,029	$1,300
Minimum		$1,233	$2,040,000	$1,553	$1,632,000	$1,141
Maximum		$5,262	$10,925,000	$2,076	$8,000,000	$1,520
2012 Totals	10	30,825	$46,619,000		$39,609,010	
Averages		3,083	$4,661,900	$1,512	$3,960,901	$1,285
Minimum		$1,221	$2,100,000	$1,427	$1,764,000	$1,200
Maximum		$6,858	$9,800,000	$1,720	$8,250,000	$1,445
2013 Totals	9	24,954	$39,625,000		$34,715,000	
Averages		2,773	$4,402,778	$1,588	$3,857,222	$1,391
Minimum		$2,201	$3,350,000	$1,483	$3,000,000	$1,303
Maximum		$4,367	$7,700,000	$1,763	$6,370,000	$1,459

Pricing for the other more specific projects within Northstar with construction and activity will be discussed in each specific development analysis.

Townhome Pricing

The townhome pricing in Northstar had initially been established by the existing Trailside and Village Walk projects in 2006 and 2007. The current Home Run project underway in the Mountainside at Northstar is actually considered the best indication of recent market activity. These projects were discussed previously in the Developed Property section. The following tables summarize the sale history and current askings for these projects.

Trailside Townhome Sales Summary					
Year	# Units	Net Revenue	Avg. Unit Price	Avg. Unit Size	Price/Sq. Ft.
2007	5	$16,003,000	$3,200,600	3,540	$904
2008	7	$28,692,428	$4,098,918	3,910	$1,048
2010	4	$14,600,000	$3,650,000	3,427	$1,065
Totals	16	$59,295,428	$3,705,964	3,673	$1,009
Re-Sales		Original Purchase	Re-Sale Price	Avg. Unit Size	Price/Sq. Ft.
2010	1	$2,870,000	$1,998,000	3,500	$571
2011	0				
2012	0				
2013	0				
Listings			Asking Price	Unit Size	Price/Sq. Ft.
2014	1		$2,095,000	3,390	$618
2014	1		$2,295,000	3,552	$646

Village Walk Phase 1 Sales Summary					
Year	# Units	Net Revenue	Avg. Unit Price	Avg. Unit Size	Price/Sq. Ft.
2008	2	$5,470,250	$2,735,125	2,582	$1,059
2009	10	$12,820,000	$1,282,000	2,582	$497
Totals	12	$18,290,250	$1,524,188	2,582	$590
Re-Sales		Original Purchase	Re-Sale Price	Avg. Unit Size	Price/Sq. Ft.
2010	1	$1,100,000	$1,500,000	2,677	$560
2011	1	$1,350,000	$1,700,000	2,640	$644
2012	1	$2,792,000	$1,695,000	2,677	$633
2013	0	$0	$0	0	$0
Listings		A	Asking Price	Unit Size	Price/Sq. Ft.
2014	1		$1,750,000	2,677	$654

Home Run Townhomes Summary							
Phase 1				**Discounts &**		**Net Sales**	
Unit #	**Sq. Ft.**	**Status**	**List Price**	**Incentives**	**Net Sales Price**	**Price/Sq. Ft.**	**Sale Date**
3	3,236	Sold	$2,245,000	(150,000)	$2,095,000	$647	10/19/2012
4	3,237	Sold	$2,295,000	-	$2,270,000	$701	8/27/2013
5	3,871	Sold	$2,345,000	(70,000)	$2,275,000	$588	8/17/2012
6	3,843	Sold	$2,450,000	(11,000)	$2,439,000	$635	11/15/2012
7	1,930	Sold	$1,875,000	-	$1,875,000	$972	4/14/2014
8	1,908	Sold	$1,875,000	(158,000)	$1,717,000	$900	5/8/2013
9	1,941	Sold	$1,795,000	(155,000)	$1,640,000	$845	4/15/2013
10	1,956	Sold	$1,645,000	(10,000)	$1,635,000	$836	6/14/2013
8	**21,922**		**$16,525,000**	**(554,000)**	**$15,946,000**	**$727**	
Sold/Escrow	**21,922**		**$16,525,000**		**$15,946,000**		
Averages	**2,740**		**$2,065,625**		**$1,993,250**	**$727**	
Phase 2				**Discounts &**		**Net**	
Unit #	**Sq. Ft.**	**Status**	**List Price**	**Incentives**	**Net Sales Price**	**Price/Sq. Ft.**	
1	2,032	Available	$1,750,000	-	$0	$0	
2	3,280	Available	$2,350,000	-	$0	$0	
11	2,030	Sold	$1,800,000	-	$1,800,000	$887	4/11/2014
12	2,031	Available	$1,850,000	-	$0	$0	
13	3,310	Sold	$2,380,000	(175,000)	$2,205,000	$666	4/18/2014
14	3,312	Pending	$2,420,000	-	$2,420,000	$731	5/2/2014
15	3,310	Contingent	$2,435,000	-	$2,435,000	$736	5/19/2014
16	3,312	Available	$2,620,000	-	$0	$0	
8	**22,617**		**$17,605,000**	**-$175,000**	**$8,860,000**	**$741**	
Sold/Escrow	**11,962**		**$9,035,000**				
Averages	**2,990.50**		**$2,258,750**				

The sale prices indicated by the original developer sales in Trailside were generally over $1,000 per square foot with one resale at a much lower price of $571 per square foot and two current listings in the $600 to $650 per square foot range. Trailside has much larger units and is located in the Mountainside area with close ski access. Village Walk averaged just under $600 per square foot in the initial sales and resales have been averaging $633 per square foot. The Home Run townhomes currently for sale are averaging just over $700 per square foot with the two recent sale of smaller units in the $887 to $972 per square foot range.

We have also reviewed some townhome pricing in the Park City market as this represents one of the few ski resorts offering townhomes with ski access. We have surveyed the townhome projects in Deer Valley. These projects illustrate the range of pricing in the market. The Lookout at Deer Valley does not have ski access and thus represents the low end of the range, whereas Larkspur and Nakoma had excellent ski access and represent the top of the market. The Ironwood project has good ski access but represents the oldest product in the market.

Park City Townhomes Summary				
Subdivision	Sq. Ft	List Price	$/Sq. Ft.	
Listings - Deer Valley				
Lookout At Deer Valley	5,843	$2,799,000	$479	
Lookout At Deer Valley	5,898	$3,244,000	$550	
Ironwood	3,417	$2,699,000	$790	
Ironwood	3,400	$2,800,000	$824	
Ironwood	3,852	$3,850,000	$999	
Larkspur	3,800	$4,195,000	$1,104	
Larkspur	3,070	$3,750,000	$1,221	
Nakoma	4,841	$4,950,000	$1,023	
Nakoma	4,841	$4,950,000	$1,023	
Averages	4,329	$3,693,000	$853	
Minimum	3,070	$2,699,000	$879	
Maximum	5,898	$4,950,000	$839	
Sales - Deer Valley	Sq. Ft	Sale Price	$/Sq. Ft.	Sale Date
Lookout At Deer Valley	5,098	$2,200,000	$432	7/1/2013
Lookout At Deer Valley	6,234	$2,625,000	$421	2/15/2013
Larkspur	3,772	$2,800,000	$742	4/30/2014
Larkspur	3,800	$3,245,000	$854	3/10/2014
Larkspur	3,801	$3,400,000	$895	3/6/2014
Larkspur	3,613	$4,000,000	$1,107	4/25/2014
Averages	4,386	$3,045,000	$742	
Minimum	3,613	$2,200,000	$421	
Maximum	6,234	$4,000,000	$1,107	

The above table indicates that Northstar has exhibited similar price ranges to the Park City market for properties with ski access. Given the range of sale prices at Northstar which are affirmed by the Park City market we consider it reasonable to project a starting price for the future townhome units to be $650 per square foot. As noted this is intended to reflect an average with expectations that there will be prices ranging most likely from $600 to $800 per square foot depending on size and ski accessibility.

Lot Pricing

Single family lots with developed ski access is a new phenomenon in the Lake Tahoe area. There are very few such lots at any of the 15 Lake Tahoe area ski resorts. The Big Springs areas of Northstar offered some which could walk to the Timberline chair which is also the access lift for the Martis 25 lots. There were a few lots in the adjacent Martis Camp subdivision which gained direct ski access with the Northstar expansion of the Martis Camp express quad chair in 2009. There are a few lots in Heavenly with ski access and some at Squaw. There have been enough sale contracts in the Martis 25 ski lot subdivision at Northstar to determine the market pricing for these lots. We will also review ski lot sales in the Park City market for perspective from other relevant markets regarding lots with ski access. Following is a summary of the Martis 25 sales.

Martis 25 Sales Summary					
Lot #	Acreage	Sale Date	Sale Price	Club Membership	Net Sales Price
5	0.74	Jun-13	$1,695,000	($10,000)	$1,685,000
11	0.90	Jun-13	$1,095,000	($10,000)	$1,085,000
19	0.54	Feb-14	$1,645,000	($10,000)	$1,635,000
16	0.54	Contract	$1,645,000	($10,000)	$1,635,000
12	0.75	May-13	$995,000	($10,000)	$985,000
Totals	5		$7,075,000		$7,025,000
Averages	0.69		$1,415,000		$1,405,000

The above table indicates very little discount, if any, of sale prices from asking prices. The Tahoe Mountain Club membership is contributed by the developer out of the asking price. The average asking prices for the 21 remaining lots are summarized in the following table.

Martis 25 Lot Inventory Summary				
Lot #	Acreage	Current List Price	Club Membership	Net Sales Price
1	1.42	$995,000	($10,000)	$985,000
2	1.09	$995,000	($10,000)	$985,000
3	1.22	$825,000	($10,000)	$815,000
4	0.89	$745,000	($10,000)	$735,000
6	0.69	$1,445,000	($10,000)	$1,435,000
7	0.84	$1,545,000	($10,000)	$1,535,000
8	0.72	$1,895,000	($10,000)	$1,885,000
9	0.85	$1,995,000	($10,000)	$1,985,000
10	0.88	$2,095,000	($10,000)	$2,085,000
13	0.60	$1,145,000	($10,000)	$1,135,000
14	1.31	$1,295,000	($10,000)	$1,285,000
15	1.30	$2,095,000	($10,000)	$2,085,000
16	0.54	$1,645,000	($10,000)	$1,635,000
17	0.51	$2,245,000	($10,000)	$2,235,000
18	0.82	$2,595,000	($10,000)	$2,585,000
20	0.95	$1,095,000	($10,000)	$1,085,000
21	0.58	$1,245,000	($10,000)	$1,235,000
22	0.68	$1,495,000	($10,000)	$1,485,000
23	0.78	$1,695,000	($10,000)	$1,685,000
24	0.82	$2,395,000	($10,000)	$2,385,000
25	0.80	$1,795,000	($10,000)	$1,785,000
Average:	**0.87**	**$ 1,584,524**		**$ 1,574,524**
Minimum	**0.51**	**$745,000**		**$735,000**
Maximum	**1.42**	**$2,595,000**		**$2,585,000**

The following table summarizes the most recent ski lot sale in Martis Camp and a current asking for a ski lot in Squaw Valley.

Truckee Area Ski Lot Sales Summary				
Lot #	Sale Date	Acreage	List Price	Sale Price
Martis Camp				
606	2/26/2010	1	NA	$2,471,500
607	1/7/2009	1	NA	$2,621,500
607	Listing	1	$3,200,000	
Squaw Valley				
6SV	Listing		$2,250,000	

The above table indicates that the subject lot pricing is consistent with, or even slightly lower, than the local ski lots which are available. As a demonstration of the significant premium for ski access the following summary illustrates the average sale prices for lot re-sales in Martis Camp without ski access. These lot sales are considered relevant in understanding other real estate associated with Northstar ski access via the Martis Camp Express chair lift.

Martis Camp Lot Re-Sales Summary			
Lot #	Approx. Lot Acres	Sale Date	Sale Price
15	1.51-2.50	1/25/2013	$720,000
16	1.51-2.50	3/1/2013	$802,500
146	1.51-2.50	3/8/2013	$725,000
21	1.51-2.50	3/11/2013	$504,000
394	2.51-5.00	3/12/2013	$900,000
59	1.51-2.50	4/22/2013	$650,000
74	1.51-2.50	5/25/2013	$810,000
175	.76-1.50	6/6/2013	$1,800,000
204	1.51-2.50	8/12/2013	$750,000
247	.26-.5	10/7/2013	$712,500
54	1.51-2.50	12/6/2013	$1,100,000
191	1.51-2.50	12/31/2013	$1,500,000
203	1.51-2.50	3/24/2014	$1,150,000
222	.26-.5	3/27/2014	$750,000
117	2.51-5.00	4/15/2014	$1,295,000
165	1.51-2.50	4/24/2014	$1,800,000
Minimum			$504,000
Maximum			$1,800,000
Average			$998,063
Median			$806,250

The average re-sale prices tend to be 20 to 25 percent less than the original developer's pricing in Martis Camp. The ski lot pricing is approximately 3 times the average re-sale lot price from 2012 or 2013.

Martis Camp has experienced significant success in sales and development partly due to its attachment to Northstar and the direct ski access via the Martis Camp high speed quad chairlift. The success in Martis Camp is reflected in the 100+ homes currently under construction in this development. This also speaks to the strength of the feeder markets which are the same for the subject.

The following table also summarizes the currently listings for the lots just below Martis 25 in the Big Springs area of Northstar. These lots are regarded as inferior as the ski trails to each lot are not as developed as the Martis 25 lots. In addition the Big Springs lots do not have direct road access up to the Mountainside area and do not have privileges at the newly constructed Tree House amenity in the Mountainside portion of the subject.

Northstar Lot Listings				
Listing #	Address	Lot #	Size (Acres)	Asking Price
Big Springs With Ski Access				
9	2308 Overlook Place	25	.26-.5	$429,000
10	2302 Overlook Place	26	.26-.5	$439,000
11	2301 Overlook Place	1	.26-.5	$499,000
12	2507 N Summit Place	2	.51-.755	$499,000
13	2556 N Summit Place	7	.51-.755	$995,000
14	2535 N Summit Place	4	.51-.755	$1,050,000
15	2545 N Summit Place	5	.26-.5	$1,050,000

We have also reviewed lot sales with ski access in the Park City market area as this is one of the few resorts which have private land that can be developed with lots that have ski access. The following table summarizes ski lot sales from the Park City area.

Park City/Deer Valley Ski Lot Sales			
Subdivision	**Acres**	**Date Sold**	**Sold Price**
Deer Crest	0.62	4/15/2013	$710,000
Deer Crest	0.87	1/24/2014	$780,000
Deer Crest	0.87	5/24/2013	$900,000
Deer Crest	1.09	4/26/2013	$1,000,000
Deer Crest	0.61	3/25/2013	$990,000
Deer Crest	0.98	9/4/2013	$960,000
Deer Crest	0.57	7/16/2013	$1,150,000
Deer Crest	0.66	9/11/2013	$1,275,000
Deer Crest	0.74	4/15/2014	$1,425,000
Deer Crest	0.76	1/25/2013	$1,900,000
Red Cloud	1.01	3/24/2014	$3,400,000
Bannerwood	0.69	8/16/2013	$3,895,000
Red Cloud	2.01	9/12/2013	$4,625,000
	0.57		**$710,000**
	2.01		**$4,625,000**
	0.88		**$1,770,000**
	0.76		**$1,150,000**

The above table demonstrates good demand for lot sales with ski access in the Park City area. The Red Cloud and Bannerwood lots sit in the premium ski access locations. The Deer Crest lots have less than ideal ski access with an east facing aspect that has trouble holding the snow and small trails. Overall this sales data supports the pricing in place for the Martis 25 lots at Northstar.

Pricing Conclusions

Based on the previous discussion we have concluded the average pricing per product type as summarized in the following table.

Northstar Future Development - Average Unit Pricing			
Unit Type	Unit Sq. Ft.	Price/Sq. Ft.	Average Pricing*
Undeveloped Parcels			
Condominium	1,500	$650	$975,000
Townhome	2,800	$750	$2,100,000
Lot			$1,400,000
Developed Parcels			
Home Run	2,784	$750	$2,100,000
Village Walk	2,600	$625	$1,600,000
Lot 9C	3,230	$850	$2,700,000
Lot 10A	2,200	$800	$1,800,000
Martis 25 Lots			$1,400,000

*Rounded

ABSORPTION

Absorption estimates for any type of for sale real estate in a large scale project such as the subject in the current market is still highly subjective. The market decline that started in 2007 left many different types of resort property with very few, if any, sales in the 2009 and 2010 time period. By mid 2010 some re-pricing in certain regions or property types began to generate some demand. Much of this re-pricing was brought on by distressed real estate which in some cases was the only market activity. The glut of existing product at greatly reduced pricing from the peak market further exacerbated any demand for development land with entitlements. By 2011 there was evidence of returned interest for some development land which was well located or with some other unique qualities. The presence of the distressed real estate created a bargain atmosphere and most buyers were bottom fishing for the deeply discounted real estate. Although there are still distressed properties available much of it has worked through the market.

Reference is made to the Market Analysis section of this report which outlined the surge of demand and modest price increases which were experienced in 2013 with continuing momentum into the first quarter of 2014. While no one expects to return to the overheated level of sales in the 2004 to 2007 time period there is anticipation of improvement in demand and pricing. We will reiterate some of that information as well as the recent sales at Northstar as information to employ in projecting absorption.

The absorption of a master planned community such as the subject is influenced by many factors. Following are some of the key considerations in projecting absorption for the Northstar Community Facilities District:

- Northstar is a well established resort community in place since the 1970's with over $1.0 billion invested in new improvements since 2005 including the new Village, infrastructure up the mountain, Ritz-Carlton Hotel, Hyatt Northstar Lodge, and on mountain improvements such as the Zephyr Lodge and new lifts
- East West Resorts remains in place after enduring the bankruptcy process
- Existing entitlements are in place
- The project allows for a diversity of product including condominiums, townhomes, and lots which creates various levels of product and price points for maximum market share and absorption appealing a wide range of buyer profiles
- Sales to a variety of developers can increase the absorption versus development by only one entity
- Proximity to the population centers of Northern California put the subject in a reasonable drive time to approximately 14 million people with favorable income demographics for second home ownership

- The ski access available to all of the future development product is a unique attribute with no other such competition in the Lake Tahoe area. Development constraints in the Lake Tahoe Basin also limit possibilities of future competition

The above factors are significant as it relates to the positive nature of the subject's market position in Lake Tahoe and northern California. For illustration purposes we present the summary of recent activity in the local market which was presented in the market analysis section. The following table indicates sales velocity total number of sales in the local market has increased every year since 2008. With over 1,167 single family home sales in the local market in 2013 the subject should be able to capture its market share. The average sale price in 2013 was $723,887 which represents the low end of the range of pricing at Northstar. The subject would represent one of the few projects offering new product in the market. The condominium sales in the market totaled 254 units in 2013 representing a decline from 2012. The average price was $705,708 which is also the low end of the range of pricing at Northstar.

Tahoe Sierra MLS Annual Sold Analysis Summary 2008 - 2013

Year	2008	2009	% Change	2010	% Change	2011	% Change	2012	% Change	2013	% Change
Single Family											
No. of Listings	652	790	21.2%	864	9.4%	959	11.0%	1,064	10.9%	1,167	9.7%
Dollar Volume	$529,388,444	$516,583,356	-2.4%	$589,850,832	14.2%	$553,763,325	-6.1%	$723,937,306	30.7%	$844,776,179	16.7%
Average Price	$811,945	$653,903	-19.5%	$682,698	4.4%	$577,438	-15.4%	$680,392	17.8%	$723,887	6.4%
Median Price	$855,250	$676,994	-20.8%	$749,906	10.8%	$552,344	-26.3%	$529,288	-4.2%	$691,544	30.7%
Average DOM	148	140	-5.6%	159	13.6%	156	-2.0%	151	-3.5%	129	-14.1%
Condominiums											
No. of Listings	171	188	9.9%	270	43.6%	255	-5.6%	296	16.1%	254	-14.2%
Dollar Volume	$143,566,166	$88,191,355	-38.6%	$138,622,142	57.2%	$99,796,593	-28.0%	$128,904,942	29.2%	$179,249,771	39.1%
Average Price	$839,568	$469,103	-44.1%	$513,415	9.4%	$391,359	-23.8%	$435,490	11.3%	$705,708	62.0%
Median Price	$532,500	$329,700	-38.1%	$397,406	20.5%	$281,744	-29.1%	$266,863	-5.3%	$403,363	51.1%
Average DOM	140	193	37.7%	145	-24.7%	135	-6.6%	131	-3.2%	130	-0.7%

Source: Tahoe Sierra MLS

In addition to the local market we have also reviewed sales in the other mountain west ski resort towns as compiled by the Western Mountain Resort Alliance (WRMA). The table on the following page illustrates similar trend as the local market with increasing numbers of sales over the past year for most resort areas. The decline in listings in some markets is indicative of the declining supply of distressed product which has been a factor affecting demand for new product, as well as pricing in all of these markets. However, the increase in some markets is evidence of the shadow inventory emerging with the signs of an improving market. Vail and Sun Valley were the only markets to experience declines in sales volume. A huge gain was made in the Big Sky area as several projects in that market emerged from bankruptcy in 2013. The Lake Tahoe area experienced a 12 percent increase in the number of sales and a 21 percent increase in dollar volume. Most of the markets experienced decreases, or very slight increases, in average prices although this result was more mixed among the markets. This suggests the increased sales volume can be attributed to the still depressed price points which were re-set by the market downturn in 2007.

WMRA 2013 vs. 2012

		Whistler (*)	Park City (**)	Steamboat	Sun Valley (**)	Vail	Big Sky	Tahoe	Teton
	# of Agents	135	861	301	269	644	108	678	437
# of Active Listings	Homes	129	632	351	357	655	357	417	145
	Condos	268	418	388	241	1,031	463	172	80
	Land	56	668	613	343	266	604	430	177
	Other***	48	89	194	166	399	112	134	43
	Total	**501**	**1,807**	**1,546**	**1,107**	**2,351**	**1,536**	**1,153**	**445**
	% Chng Prev Yr	**-19%**	**0%**	**-7%**	**36%**	**50%**	**235%**	**4%**	**-18%**
# of Units Sold	Homes	152	925	304	236	412	68	1,167	250
	Condos	415	722	355	231	692	179	318	188
	Land	27	446	131	62	126	88	351	90
	Other***	44	60	138	29	139	14	94	22
	Total	**638**	**2,153**	**928**	**558**	**1,369**	**349**	**1,930**	**550**
	% Chng Prev Yr	**14%**	**22%**	**17%**	**-8%**	**-6%**	**59%**	**12%**	**28%**
Total Volume Sold	Homes	$ 192,873,262	$ 882,389,906	$ 210,782,400	$ 148,993,664	$ 440,105,767	$ 64,379,852	$ 845,776,179	$ 415,701,353
	Condos	$ 212,537,757	$ 419,644,863	$ 140,781,356	$ 85,704,853	$ 590,338,528	$ 66,947,375	$ 179,594,771	$ 114,167,877
	Land	$ 33,416,905	$ 158,373,238	$ 32,133,403	$ 23,361,450	$ 29,971,401	$ 27,780,200	$ 57,660,961	$ 138,156,523
	Other***	$ 4,421,750	$ 27,268,258	$ 24,725,576	$ 11,695,000	$ 50,371,725	$ 4,864,500	$ 14,724,850	$ 22,237,000
	Total	**$443,249,674**	**$1,487,676,265**	**$408,422,735**	**$269,754,967**	**$1,110,787,421**	**$163,971,927**	**$ 1,097,756,761**	**$ 690,262,753**
	% Chng Prev Yr	**13%**	**22%**	**18%**	**-14%**	**-19%**	**59%**	**21%**	**7%**
Average Sales Price	Homes	$ 1,268,903	$ 953,935	$ 693,363	$ 631,329	$ 1,068,218	$ 946,763	$ 724,744	$ 1,662,805
	Condos	$ 512,139	$ 581,226	$ 396,567	$ 371,017	$ 853,090	$ 374,008	$ 564,763	$ 607,276
	Land	$ 1,237,663	$ 355,097	$ 245,293	$ 376,798	$ 237,868	$ 315,684	$ 164,276	$ 1,535,072
	Other***	$ 100,494	$ 454,471	$ 179,171	$ 403,276	$ 362,387	$ 347,464	$ 156,647	$ 1,010,773
	Total	**$ 694,749**	**$ 690,978**	**$ 440,111**	**$ 483,432**	**$ 811,386**	**$ 469,834**	**$ 568,786**	**$ 1,255,023**
	% Chng Prev Yr	**-1%**	**0%**	**1%**	**-6%**	**-15%**	**0%**	**8%**	**-16%**
Median Sales Price	Homes	$ 114,300	$ 619,000	$ 439,500	$ 373,250	$ 559,700	$ 585,000	$ 499,900	$ 800,000
	Condos	$ 410,000	$ 375,000	$ 295,000	$ 275,000	$ 500,500	$ 250,000	$ 366,500	$ 420,875
	Land	$ 1,100,000	$ 190,000	$ 159,995	$ 207,500	$ 81,250	$ 175,000	$ 100,000	$ 432,405
	Other***	$ 92,200	$ 192,500	$ 115,000	$ 192,000	$ 152,500	$ 372,285	$ 51,500	$ 869,000
	Total	**$ 640,062**	**$ 415,000**	**$ 285,000**	**$ 302,500**	**$ 415,000**	**$ 345,571**	**$ 233,250**	**$ 620,000**
	% Chng Prev Yr	**-10%**	**4%**	**-8%**	**24%**	**1%**	**16%**	**21%**	**9%**
	*Canadian Dollar								
	(**) Disclosure: Undisclosed sales are reported at 95% of list price								
	***Fractional Ownership, Commercial, Mobile Homes, Multi-Family								

We have also reviewed the developers projections of absorption which contemplate complete build out in 16 years. These projections are shown on the following page. These projections indicate sales from 59 units to 99 per year over the next sixteen years. This includes the non-developer owned properties. The Future Development parcels owned by the developer are projected to average between 24 and 87 units per year. The near term absorption is less with increasing volume over time. The overall sell out of 914 units over sixteen years indicates an annual average of 57 units per year. While there is no firm evidence to judge these projections as right or wrong, it is our opinion that achieving 80 units per year feels optimistic based on our experience. Again these figures are noted as averages and take into account potential developer sales which could accelerate the sellout of units even if they remain un-built.

For the purposes of this appraisal we consider it reasonable to project a long term sell out of 18 years. It is noted that through one up and down cycle, 2004 to 2007 up and 2008 to 2011 down that Northstar has approximately 379 units of developed property sold and owned by others. This equates to an average of 38 units per year over the past ten years. These have been skewed by years of bankruptcy and other financial issues. At that average sell out of the remaining 1,231 developer's units would be 29 years. In our opinion it is reasonable to project an 18 year sellout of the remaining developer owned units in Northstar. It is noted that this means sell off of all the development parcels and not necessarily full build out. There are developers and other land speculators that could purchase development parcels for future use. The current transition out of an extremely depressed market into what appears to be a relatively stable recovery should allow for stable absorption levels. The subject's proximity to the northern California population centers cannot be emphasized enough as it relates to a market with good employment and favorable demographics for second home resort properties such as Northstar.

Developer's Absorption Projections																	
Project	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**
Home Run Townhomes	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**9**
Village Walk Phase 2	-	6	16	-	-	-	-	-	-	-	-	-	-	-	-	-	**22**
Martis25	15	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**22**
NMP Future Phases Property (APN: 110-030-079)																	
Lots	-	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**5**
NMP Future Phases Property (APN: 110-081-017)																	
Townhomes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-	**2**
NMP Future Phases Property (APN: 110-050-071)																	
Townhomes	-	17	27	-	-	-	-	-	-	-	-	-	-	-	-		**44**
Condominiums	-	-	-	15	30	15	15	10	15	25	25	25	35	40	30	47	**327**
Lots	-	2	3	-	-	-	-	-	-	-	-	-	-	-	-	-	**5**
NMP Future Phases Property (APN: 110-050-072)																	
Townhomes	-	-	-	20	20	20	20	20	10	1	-	-	-	-	-	-	**111**
Condominiums	-	-	-	15	15	15	15	15	35	35	35	25	15	20	30	40	**310**
NMP Future Phases Property (APN: 110-400-005)																	
Townhomes	-	-	-	-	-	-	17	-	-	-	-	-	-	-	-	-	**17**
Condominiums	-	-	-	-	-	-	-	20	20	20	20	20	10	-	-	-	**110**
Total NMP Closings	**24**	**37**	**46**	**50**	**65**	**50**	**67**	**65**	**80**	**81**	**80**	**70**	**60**	**60**	**62**	**87**	**984**
Hyatt - Welk Resorts	12	12	12	12	12	12	11	9	-	-	-	-	-	-	-	-	**92**
Ritz-Carlton Residences - Kennedy Wilson	16	-	12	12	12	12	13	-	-	-	-	-	-	-	-	-	**77**
Constellation - JMA	10	10	10	12	10	10	-	-	-	-	-	-	-	-	-	-	**62**
Total Non-Developer Closings	**38**	**22**	**34**	**36**	**34**	**34**	**24**	**9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**231**
Total Northstar Closings	**62**	**59**	**80**	**86**	**99**	**84**	**91**	**74**	**80**	**81**	**80**	**70**	**60**	**60**	**62**	**87**	**1,215**

Source: Northstar Mountain Properties

Northstar at Tahoe Future Development Land Absorption Projections per Appraiser																			
Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	Total
Year	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31	
Future Development w Activity																			
Home Run Townhomes	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4
Village Walk 2 & 3	4	7	7	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	22
Lot 9A Treehouse Townhomes	0	4	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6
Lot 10C Home Run Cabins	0	4	4	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11
Martis 25 Lots	11	5	5	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	27
Sub-Total	19	20	18	13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	70
Future Development Tentative Map																			0
110-050-071	0	0	0	25	22	28	31	33	28	22	22	22	22	22	22	22	16	22	359
110-050-079	0	0	3	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
110-050-072	0	0	18	17	18	19	20	32	30	30	30	30	30	30	30	30	30	27	421
110-081-017	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	2
110-400-005	0	0	0	0	0	0	0	0	0	10	7	17	17	17	17	17	17	8	127
Sub-Total	0	0	21	44	40	47	51	65	58	64	59	69	69	69	69	69	63	57	914
Total - Future Development	19	20	39	57	40	47	51	65	58	64	59	69	69	69	69	69	63	57	984

DEVELOPMENT COSTS

Development Costs for future product must be projected in order to estimate the land residual values of the various parcels. The only recent development projects underway are the Martis 25 lots and the Home Run townhomes and we have reviewed the actual costs summaries provided by the developer for these projects. We have also reviewed the budget for the 6 proposed Tree House Cabins. It is noted that the backbone infrastructure for water and sewer has been constructed and most all of the construction costs will be for site specific costs with minimal, if any, off site costs. There are some areas that will require more site work than others but the averages reflected in our analysis are considered reasonable for projecting development cost for the future development projects.

Condominiums

There has been no recent condominium construction at Northstar. The construction costs for the Village units in 2004 was approximately $650 per square foot which included extensive common areas and subterranean parking. We have reviewed cost comparables for similar condominium projects in our files such as the proposed 49 unit project called 323 Residences in South Lake Tahoe with a construction budget of $421 per square foot. We have also reviewed cost information available in the Marshall Swift Cost Manual for high value residences which indicate a range of $354 to $421 per square foot for the highest quality residences. Our interviews with developers of the other projects at Northstar indicate anticipated construction costs of about $300 - $400 per square foot. Based on our experience, a review of cost manuals, and interviews with developers we consider it reasonable to project construction costs for the condominium projects at an average of $400 per square foot.

Townhomes

The Home Run townhomes have recently been completed at an overall average cost of $392 per square foot. The cost budget for this project is summarized in the following table. We have rounded these costs to $400 per square foot for application in our discounted cash flows. This is considered a conservative figure but reasonable in relation to the historical costs.

Home Run Town Homes Construction Costs		
Total Sq. Ft.		21,922
Cost Item	Total	Per Sq. Ft.
General Conditions	$736,859	$33.61
Sitework	$891,950	$40.69
Concrete	$462,292	$21.09
Masonry	$305,080	$13.92
Metals	$348,165	$15.88
Wood & Plastic	$2,144,837	$97.84
Thermal/Insulation	$582,830	$26.59
Doors & Windows	$483,463	$22.05
Finishes	$732,010	$33.39
Specialties	$67,809	$3.09
Equipment	$101,472	$4.63
Furnishings/Case Work	$150,629	$6.87
Special Construction	$14,986	$0.68
Mechanical	$685,144	$31.25
Electrical	$613,878	$28.00
Sub-Total	$8,321,404	$379.59
Overhead/Insurance	$303,699	$12.62
Project Total	$8,598,130	$392.21
Per Unit	$1,074,766	

Lots

The lot development costs for the Martis 25 were reported at $225,000 per lot. However these include two large ski bridges and a roundabout at the end of Mountainside View Drive. The developer estimates a cost of approximately $150,000 per lot. For the purposes of this analysis we have applied a slightly more conservative cost estimate of $175,000 per lot.

SALES COMMISSIONS/CLOSING COSTS

We have estimated sales commissions at 6 percent of the gross sales revenue to account for sales and marketing. This is considered a market rate. Closing costs are estimated at .5 percent which is considered adequate to cover typical title and legal work for closing.

PROPERTY TAXES

Property taxes are estimated based on the current tax rates which were derived from the actual taxes for the developed property in relation to the assessed value. Reference is made to the Real Property Taxes and Assessment section of this report which outlined the taxes and calculated tax rates for the various subject components. Our analysis has applied a tax rate within the range of the actual taxes to each of the various components of the entitled development parcels in the Mountainside area of the CFD. The tax rate is applied to the average unit price for each product type included in the respective discounted cash flows.

In order to reflect the holding cost of property taxes we have applied the actual tax for each parcel in Year 1 which is inflated at the 2 percent annual rate allowed per Prop 13 until such time as development occurs. After the first year of development we have projected taxes for the developed property based on the tax rate noted above. The holding cost for the undeveloped property then comes under the Developer Overhead and Contingency expense discussed later as it diminishes concurrently with development. The following table summarizes the actual taxes which will be applied to each parcel in year 1.

Northstar Real Property Assessed Values - FY 2014-15 & FY Taxes 2013-14

Project/APN	# of Units	Acres	2014 - 2015 Total Assessed Value	2014 - 2015 Assessed Value Per Unit	FY 2013-14* Remaining Tax Bill (Net of CFD)	2013 - 2014 County Taxes Per Unit*	Tax Rate %
Mountainside Entitled Parcels							
110-030-078-000 (Exempt Ski Parcel)	0	0.0	$2,141,478	$0	$26,045	$26,045	1.216%
110-030-079-000	5	4.0	$451,349	$90,270	$10,242	$2,048	2.269%
110-030-080-000 (Exempt Ski Parcel)	0	17.7	$1,994,956	$0	$22,081	$22,081	1.107%
110-050-071-000 (includes Lots 9A & 10C)	376	113.2	$580,592	$1,544	$174,983	$465	30.139%
110-050-072-000	421	125.5	$5,379,003	$12,777	$396,180	$941	7.365%
110-081-017-000	2	2.1	$10,451	$5,226	$575	$288	5.503%
110-400-005-000	127	25.8	$130,640	$1,029	$1,922	$15	1.471%
Future Mountainside Entitled Totals	**931**	**288.3**	**$10,688,469**	**$11,481**	**$632,027**	**$679**	**5.913%**
Grand Totals			**$447,923,891**	**$288,425**	**$6,662,609**	**$4,290**	**1.487%**

* 2013 - 2014 taxes are presented as taxes for the 2014-2015 Fiscal Year were not available as of the date of value.

It is noted that the assessed values are inconsistent and skewed extremely high or low for some parcels. This is due to the fluid nature of the on-going development as well as distressed sales which occurred in the depths of the recent recession. For the purposes of this analysis we think it is most appropriate to apply the total actual taxes until such time as development occurs. At that point we will apply a tax rate to the projected unit sale prices based on a tax rate consistent with the rates indicated for the subject in the previously presented table in the Property Taxes and Assessments section of this report. A rate of approximately 1.4± percent is applied herein.

SPECIAL TAXES MELLO ROOS

The special taxes attributable to the Northstar CFD were presented previously. As noted the 2014 – 2015 Special Taxes were not available as of the date of value. They vary per project and are assigned by unit size and type. As our Development Approach is based on future projections we have utilized the anticipated maximum special tax that was outlined previously in the Target Special Tax table in the Overview of Community Facilities District # 1. The target special tax for residential units in the 1,401 to 1,800 square foot ranges is $4,500 per unit and for the 2,601 to 3,000 square foot range is $6,000 per unit. These amounts will be applied to the condominium and townhome units, respectively, as they come on line over the development and sell out period. For the purposes of reflecting the holding cost for the undeveloped land we have divided the actual total CFD special taxes currently levied against each parcel as summarized in the following table.

Northstar Real Property Assessed Values - FY 2014-15 & FY Taxes 2013-14							
Project/APN	# of Units	Acres	2014 - 2015 Total Assessed Value	2014 - 2015 Assessed Value Per Unit	FY 2013-14* CFD No. 1 Maximum Tax	FY 2013-14* CFD No. 1 Actual Tax	CFD Actual Tax/Unit
Mountainside Entitled Parcels							
110-030-078-000 (Exempt Ski Parcel)	0	0.0	$2,141,478	$0	$0	$0	0
110-030-079-000	5	4.0	$451,349	$90,270	$31,338	$28,273	$5,655
110-030-080-000 (Exempt Ski Parcel)	0	17.7	$1,994,956	$0	$0	$0	$0
110-050-071-000 (includes Lots 9A &10C)	376	113.2	$580,592	$1,544	$2,303,869	$2,078,547	$5,528
110-050-072-000	421	125.5	$5,379,003	$12,777	$1,932,513	$1,743,510	$4,141
110-081-017-000	2	2.1	$10,451	$5,226	$11,444	$10,325	$5,163
110-400-005-000	127	25.8	$130,640	$1,029	$669,497	$604,019	$4,756
Future Mountainside Entitled Totals	**931**	**288.3**	**$10,688,469**	**$11,481**	**$4,948,663**	**$4,464,675**	**$4,796**
Grand Totals			**$447,923,891**	**$288,425**	**$7,590,871**	**$7,040,948**	

* 2013 - 2014 taxes are presented as taxes for the 2014-2015 Fiscal Year w ere not available as of the date of value.

HOMEOWNERS DUES (HOA)

Homeowner's dues are ultimately project specific. However there is also a master association dues. The Northstar Master Association dues for 2013 was $2,080 per residential unit per year. The commercial units pay a higher rate of $4,494.48 per year but this is not applicable for any of our analyses. For the purposes of this analysis we will apply only the master association dues. There will also be individual HOA dues for each project specific to the improvements constructed. We have reviewed the proposed HOA budgets for the Home Run Townhomes and the Martis 25 lots. The HOA dues are designed to cover the following costs.

- Administrative costs such as management, accounting, legal, audits, and other items
- Operating costs such as insurance, common area utilities, bad debt and a contingency
- Maintenance for such items as landscaping, snow removal, and fire suppression systems

The estimated HOA fee for Home Run averages approximately $10,300 per unit annually or $858 per month. For Martis 25 the fee is estimated at approximately $4,500 per lot annually. In addition to these figures we have reviewed the HOA dues for the other projects in Northstar as well as other resort communities. The dues in the Village at Northstar range from approximately $900 to $1,100 per unit per month ($13,200 per year) in the Iron Horse, Big Horn and Catamount buildings to $1,600 per month ($19,200 per year) for Great Bear which has greater amenities and larger units. We have surveyed the HOA dues in other mountain communities and the $1,000 per month range ($12,000 per year) is fairly consistent for similar product. There are some higher end projects around $2,000 per unit per month ($24,000 per year). Overall it is reasonable to project annual HOA dues of $12,000 per unit or $1,000 per month. This appears to be a reasonable average for both the condominiums and the townhomes.

DEVELOPER'S OVERHEAD/CONTINGENCY

We have allowed for developer's overhead and a contingency allowance in our analysis in order to account for the administrative and oversight duties involved in coordinating a large development such as the subject property. This is intended to allow for any legal or financial expenses, professional fees and general expenses including property taxes for the undeveloped land. In addition, we consider this an appropriate category to recognize the need for a construction contingency. Our experience in the marketplace is that this allocation can range anywhere from 1 to 5 percent for developer's overhead. As substantial work is yet to be completed, we have estimated this expense at 5 percent for the future development components of the subject with remaining construction. We have applied only a 1 percent contingency to the projects which are substantially complete such as Home Run townhomes, Martis 25 and Village Walk. The total dollar amounts resulting from this percentage allocation are considered sufficient given the large sales volume projections.

INFLATION (TRENDING) FACTOR NOTE

Price appreciation/inflation has been evident in the Truckee area, and most resort areas, in the past 18 months. Reference is made to the Market Analysis section of this report which presented sales trends in the Truckee area since 2008. The tables presented there indicated that single family home prices increased 17.8 percent from 2011 to 2012 and another 6.4 percent from 2012 to 2013. Condominiums increased at 11.3 percent from 2011 to 2012. There was a huge increase of 62 percent from 2012 to 2013 with the average price going from $435,490 to $705,708 with much of this jump attributable to the 9 sales sold in the Ritz-Carlton Residences at an average price of $2,215,000. As noted these larger increases can be skewed by product availability and other factors but the overall trend is consistent. Part of the reason for these large increases are the deep discounts that were occurring in the trough of the market driven by distressed owners. As the majority of distressed property has washed through the market pricing is returning to more stable trends. The subject developer is projecting 5 percent increases in pricing over the next five years. In our opinion it is reasonable to project price increases of 5 percent for the next two years based on the demand exhibited in 2013 continuing into 2014. In year 3 we have projected 4 percent which then declines to an average inflation rate of 3 percent thereafter. While there could be stronger spikes in pricing if demand is stronger and inventory remains low we consider the 5 percent increases sustainable in the near term and declining to a more stable level of inflation. The current pricing has found a level consistent with demand and this pricing still represents a significant decrease from the inflated market years of 2004 to 2007.

DEVELOPER'S PROFIT

We have not projected a separate line item for developer's profit. Based on our experience and interviews with developers it is our understanding most do not itemize their profit but rather target a return requirement and use that for discounting as yield capitalization. This is discussed below.

DISCOUNT RATE

In selecting an appropriate discount rate, consideration must be given not only to available yields on alternative investments, but to the property's location, quality, market conditions and development plan as well as the level of risk associated with the proposed development. Risk for development projects such as the subject includes three components:

1) Planning and zoning risk, including zoning approvals, entitlements and plat approval;
2) Construction risk, including engineering and infrastructure costs, and the potential for cost overruns and unforeseen site problems such as soils or environmental issues; and,

3) Marketing risk, also known as sell-out risk, based on how market conditions may change upon completion of the project and the marketability of the developer's improved product.

Regarding the planning and zoning risk the subject development represents an approved master planned project in an area with strong barriers to entry in terms of new approvals. To our knowledge there is no risk to the existing entitlements at this time.

At one time there was a significant infrastructure construction risk for the Northstar development related to completion of Mountainside View Road and the utility infrastructure. Mountainside View Road is completed and utilities are in place.

The last component of risk represents marketing risk. The Subject is located in an established resort market with good visitation trends in reasonable drive time to very large population. Overall a significant level of the marketing risk remains for the future product simply due to the long term projection of 15 to 20 years of projections.

Upscale residential development is generally a risky type of development, because it relies on fewer buyers than a middle-income subdivision. This is tempered by the fact that households with higher levels of wealth can be less affected by economic changes as in the current market. Longer-term projects generally have more risk, since future market conditions are more difficult to determine.

Current market conditions for housing and the economy in general certainly factor into the marketing risk as of the date of appraisal. The first phases of the Northstar CFD came to market in 2004 and met with good acceptance in the market in the 2006 to 2007 time period. The market began softening in mid 2007 with the housing crisis and was depressed through 2011 as evident by the slower sales in Northstar and other resorts since 2008. In our opinion Northstar is well positioned for the future as market conditions are anticipated to improve consistent with historical cycles. Absorption in the market has been building since 2010 and the subject should return to reasonable rates of absorption over the next 2 to 3 years. It is anticipated that stabilized absorption rates will likely be half of what they once were in the peak market years of 2004 through 2007.

Survey Based-Discount Rates (IRR) Including Developer's Profit

The table below presents national survey data from the Korpacz Real Estate Investor Survey as of the year end 2013 which reflects the internal rates of return required by developers including developer's profit.

KORPACZ INVESTOR SURVEY - DEVELOPMENT LAND			
Survey	**Date**	**Range**	**Average**
PwC Korpacz	Second Quarter 2013	10.00% - 25.00%	18.90%
PwC Korpacz	Fourth Quarter 2013	10.00% - 25.00%	18.31%

Refers to national development land market, published bi-annually Qtr. 2 & 4

REALTY RATES.COM - 2nd Quarter 2014					
Property Type	**Sub Type**	**Range**			**Average**
National Subdivisions & PUD's	Site Built Residential	14.77%	-	55.50%	35.31%
National - Condominiums & Co-Ops*	Resort & Second Home	11.60%	-	34.11%	23.43%
Mtn. Region Subdivision & PUD's	Site Built Residential	20.25%	-	47.02%	31.17%
Mtn. Region - Condominiums & Co-Ops*	Resort & Second Home	15.90%	-	28.90%	20.84%
Desert Southwest Region - Subdivisions & PUD's	Site Built Residential	14.77%	-	34.29%	22.74%
Desert Southwest Region - Condominiums & Co-Ops*	Resort & Second Home	11.60%	-	21.08%	15.20%
CA/Pacific Islands Subdivisions & PUD's	Site Built Residential	18.57%	-	43.11%	28.58%
CA/Pacific Islands Condominiums & Co-Ops*	Resort & Second Home	14.58%	-	26.50%	19.11%

Mtn. Region includes CO,ID,MT,UT,WY

Desert Southw est includes AZ, NV, NM

CA & Pacific Islands includes CA, HI, & Guam

*Profit is treated as line item expense

The Korpacz survey above illustrates anticipated rates of return by developers on development land projects in a range of 10 to 25 percent and averaging 18.31 percent. The Realty Rates survey is reporting actual rates reported by their respondents. The broader range of discount rates is from a low of 11.60 percent to a high of 55.5 percent. The averages represent a tighter range of 15.20 percent to 35.31 percent. The most applicable rates for the subject from the Realty Rates survey are the indications for the California region with averages of 28.58 to 19.11 percent.

There are several considerations related to the subject property in concluding discount rates as there are several components with various risk factors. The current market conditions are among the biggest risk factors for the Subject. The completion of construction of future product is also still a risk factor. However the construction risk is only associated with site specific construction as the backbone road and utility infrastructure is already in place.

We have applied different discount rates in the various analyses. The Developed property that is under construction has less construction risk and the sales risk has been mitigated by the recent sales activity. Thus we will apply a 14 percent rate to the Home Run townhomes, 16 percent to Village Walk townhomes, and 15 percent to the Martis 25 lots. We will apply a 20 percent rate to the Future Development in the Mountainside Tentative Tract Map. These rates are consistent with the investor surveys as well as the developer interviews conducted in the process of this assignment.

HOME RUN TOWNHOMES DEVELOPMENT ANALYSIS

The Home Run townhomes is a 16 unit cluster of units astride the Home Run ski run. All 16 units in this project are completed and have certificates of occupancy. The sale information for these units has been presented previously but is presented again here for convenience.

Home Run Townhomes Summary

Phase 1 Unit #	Sq. Ft.	Status	List Price	Discounts & Incentives	Net Sales Price	Net Sales Price/Sq. Ft.	Sale Date
3	3,236	Sold	$2,245,000	(150,000)	$2,095,000	$647	10/19/2012
4	3,237	Sold	$2,295,000	-	$2,270,000	$701	8/27/2013
5	3,871	Sold	$2,345,000	(70,000)	$2,275,000	$588	8/17/2012
6	3,843	Sold	$2,450,000	(11,000)	$2,439,000	$635	11/15/2012
7	1,930	Sold	$1,875,000	-	$1,875,000	$972	4/14/2014
8	1,908	Sold	$1,875,000	(158,000)	$1,717,000	$900	5/8/2013
9	1,941	Sold	$1,795,000	(155,000)	$1,640,000	$845	4/15/2013
10	1,956	Sold	$1,645,000	(10,000)	$1,635,000	$836	6/14/2013
8	**21,922**		**$16,525,000**	**(554,000)**	**$15,946,000**	**$727**	
Sold/Escrow	**21,922**		**$16,525,000**		**$15,946,000**		
Averages	**2,740**		**$2,065,625**		**$1,993,250**	**$727**	

Phase 2 Unit #	Sq. Ft.	Status	List Price	Discounts & Incentives	Net Sales Price	Net Price/Sq. Ft.	
1	2,032	Available	$1,750,000	-	$0	$0	
2	3,280	Available	$2,350,000	-	$0	$0	
11	2,030	Sold	$1,800,000	-	$1,800,000	$887	4/11/2014
12	2,031	Available	$1,850,000	-	$0	$0	
13	3,310	Sold	$2,380,000	(175,000)	$2,205,000	$666	4/18/2014
14	3,312	Pending	$2,420,000	-	$2,420,000	$731	5/2/2014
15	3,310	Contingent	$2,435,000	-	$2,435,000	$736	5/19/2014
16	3,312	Available	$2,620,000	-	$0	$0	
8	**22,617**		**$17,605,000**	**-$175,000**	**$8,860,000**	**$741**	
Sold/Escrow	**11,962**		**$9,035,000**				
Averages	**2,990.50**		**$2,258,750**				

Based on the above information we will apply an average price per unit of $2,100,000. The slightly lower average of Phase 1 is due to older sales and there have been price increases. The average asking price for four available units in Phase 2 is $2,142,500. The other assumptions applied in this analysis are summarized in the following table.

Summary of Assumptions Home Run Townhomes	
No. of Units	4
Average Base Price	$2,100,000
Sale Commission/Marketing	6.00%
Closing costs	0.50%
Real Estate Tax Per Unit	$25,641
Mello Roos Tax per share/year	$5,624
Construction Costs/Unit	$0
HOA Dues	$14,436
Developer's Overhead %	1.00%
Discount Rate	14.00%
Annual Appreciation Rate - Average	3.00%
Appreciation Rate Yrs. 1 & 2	5.00%
Expense Inflation Rate (Ann)	3.00%
Tax Inflation Rate	2.00%

- Absorption of these units is projected to be completed in year 1 of the analysis as 12 of the 16 units are sold and construction is completed.
- The construction cost for these units was discussed previously and is applied based on actual cost.
- The HOA dues have been calculated for this project and are reflected in this analysis along with the Northstar Master Association dues.
- A 14 percent discount rate is applied at a midyear time period in this analysis as construction risk is gone and marketing risk is minimized to 4 units with evidence of adequate market demand. The mid-year discounting period is appropriate given the likelihood of near term sales. All other analyses herein are based on end of year discounting.

The discounted cash flow is shown in the following table.

Discounted Cash Flow Analysis - Homerun Townhomes		
Fiscal Year		2014
Period	Totals	1
Appreciation Rate:		5.000%
Cumulative Units Completed:		4
Average Unit Price:		$2,100,000
Units Sold Per Period:		4
Cumulative Units Sold:		4
Unsold Inventory:		0
Total Unit Sales	4	4
Total Sales Income:	$8,400,000	$8,400,000
Expenses:		
Sales Commissions/Marketing:	$504,000	$504,000
Closing Costs:	$42,000	42,000
Property Taxes:	$53,724	53,724
Construction Costs:	$0	0
HOA Dues	$28,872	28,872
Mello Roos Taxes Developed	$11,248	11,248
Developer's Overhead:	$84,000	84,000
Total Expenses:	$723,844	723,844
Net Cash Flow:	$7,676,156	$7,676,156
Annual Discount Factor:		0.936586
Discounted Cash Flow	$7,189,379	$7,189,379

Following is a summary of the calculations for the market value of the Home Run townhome project.

Value Summary: Home Run Townhomes		Total	Total Per Unit	Percent of Sales
Total Units Sold		4		
Total Sales Revenue		$8,400,000	$2,100,000	100.0%
Sales Commissions/Marketing:		$504,000	126,000	6.0%
Closing Costs:		$42,000	10,500	0.5%
Property Taxes:		$53,724	13,431	0.6%
Construction Costs:		$0	0	0.0%
HOA Dues		$28,872	7,218	0.3%
Mello Roos Taxes Developed		$11,248	2,812	0.1%
Developer's Overhead:		$84,000	21,000	1.0%
Total Deductions		$723,844	$180,961	8.6%
Present Value of Cash Flow				
Discounted @	14.00%	$7,676,156		
Value to Single Purchaser:		**$7,676,156**		
Value Per Unit:		**$1,919,039**		
TOTAL INDICATED VALUE (Rounded)		**$7,700,000**		

VILLAGE WALK TOWN HOMES

There are 22 remaining Village Walk townhomes to be constructed. The first 12 units were built in 2008. The following table summarizes the sale information for these units.

Village Walk Phase 1 Sales Summary					
Year	# Units	Net Revenue	Avg. Unit Price	Avg. Unit Size	Price/Sq. Ft.
2008	2	$5,470,250	$2,735,125	2,582	$1,059
2009	10	$12,820,000	$1,282,000	2,582	$497
Totals	12	$18,290,250	$1,524,188	2,582	$590
Re-Sales		Original Purchase	Re-Sale Price	Avg. Unit Size	Price/Sq. Ft.
2010	1	$1,100,000	$1,500,000	2,677	$560
2011	1	$1,350,000	$1,700,000	2,640	$644
2012	1	$2,792,000	$1,695,000	2,677	$633
2013	0	$0	$0	0	$0
Listings		A	Asking Price	Unit Size	Price/Sq. Ft.
2014	1		$1,750,000	2,677	$654

Based on the above information we have applied an average unit price of $1,600,000. The following table summarizes the assumptions applied in the analysis of Village Walk.

Summary of Assumptions Village Walk Townhomes	
No. of Units	22
Average Base Price	$1,600,000
Sale Commission/Marketing	6.00%
Closing costs	0.50%
Real Estate Tax Per Unit	$20,240
Mello Roos Tax per share/year	$4,072
Construction Costs	$1,032,800
HOA Dues	$2,060
Developer's Overhead %	1.00%
Discount Rate	16.00%
Annual Appreciation Rate - Average	3.00%
Appreciation Rate Yrs. 1 & 2	5.00%
Expense Inflation Rate (Ann)	3.00%
Tax Inflation Rate	2.00%

- Absorption of these units is projected to be phased over the next three years
- Construction cost are based on $400 per square foot
- An 16 percent discount rate is applied as all of the improvement construction risk remains although there are six units with foundations and the site work is completed for the remaining units

Following is the discounted cash flow for this project.

Discounted Cash Flow Analysis - Village Walk Townhomes					
Fiscal Year		2014	2015	2016	2017
Period	Totals	1	2	3	4
Appreciation Rate:		5.000%	5.000%	3.000%	3.000%
Units Completed:	22	6	8	8	0
Cumulative Units Completed:		6	14	22	22
Average Unit Price:		$1,600,000	1,680,000	1,764,000	1,816,920
Units Sold Per Period:	22	4	7	7	4
Cumulative Units Sold:		4	11	18	22
Unsold Inventory		2	3	4	0
Total Unit Sales	22	4	7	7	4
Total Sales Income:	$37,775,680	$6,400,000	$11,760,000	$12,348,000	$7,267,680
Cumulative Income:		$12,800,000	$24,560,000	$36,908,000	$44,175,680
Expenses:					
Sales Commissions/Marketing:	$2,266,541	$384,000	$705,600	$740,880	$436,061
Closing Costs:	$188,878	32,000	58,800	61,740	36,338
Property Taxes:	$316,188	36,028	36,749	153,227	90,185
Construction Costs:	$22,721,600	6,196,800	8,262,400	8,262,400	0
HOA Dues	$18,540	4,120	6,180	8,240	0
Mello Roos Taxes - Developed	$36,648	8,144	12,216	16,288	0
Mello Roos Taxes - Undeveloped	$259,380	116,952	116,952	25,476	
Developer's Overhead:	$377,757	64,000	117,600	123,480	72,677
Total Expenses:	$26,185,532	6,842,044	9,316,497	9,391,731	635,261
Net Cash Flow:	$11,590,148	($442,044)	$2,443,503	$2,956,269	$6,632,419
Annual Discount Factor:		0.862069	0.743163	0.640658	0.552291
Discounted Cash Flow	$6,991,831	($381,072)	$1,815,921	$1,893,956	$3,663,026

Following is a summary of the calculations from the discounted cash flow for this project.

Value Summary:			Total	Percent
Village Walk		Total	Per Unit	of Sales
Total Units Sold:		22		
Total Sales Revenue		$37,775,680	$1,717,076	100.0%
Sales Commissions/Marketing:		$2,266,541	103,025	6.0%
Closing Costs:		$188,878	8,585	0.5%
Property Taxes:		$316,188	14,372	0.8%
Construction Costs:		$22,721,600	1,032,800	60.1%
HOA Dues		$18,540	843	0.0%
Mello Roos Taxes - Developed		$36,648	1,666	0.1%
Mello Roos Taxes - Undeveloped		$259,380	11,790	0.7%
Developer's Overhead:		$377,757	17,171	1.0%
Total Deductions		$26,185,532	$1,190,251	69.3%
Present Value of Cash Flow				
Discounted @	16.00%	$6,991,831		
Value to Single Purchaser:		**$6,991,831**		
Value Per Unit:		**$317,811**		
TOTAL INDICATED VALUE (Rounded)		**$7,000,000**		
INTERNAL RATE OF RETURN		**16%**		

LOT 9A TREE HOUSE TOWNHOMES

The developer is in the planning process and intends to begin construction in Summer 2014 on 6 townhomes next to the Home Run Townhomes and the new Tree House Recreation building. These units are proposed to average 3,230 square feet per unit and are projected to be slightly upmarket in quality to the Home Run townhomes. The developer is proposing and price of $1,000 per square foot based on the latest sales of Home Run units. This may be achievable due to the higher projected development costs at $500 per square foot. However, it seems aggressive relative in comparison to the more similar sized Home Run units. Based on the above information we have applied an average unit price of $2,700,000. The following table summarizes the assumptions applied in the analysis of Village Walk.

Summary of Assumptions Lot 9A Tree House Townhomes	
No. of Units	6
Average Base Price	$2,700,000
Sale Commission/Marketing	6.00%
Closing costs	0.50%
Real Estate Tax Per Unit	$32,967
Mello Roos Tax per share/year	$5,624
Construction Costs/Unit	$1,615,000
HOA Dues	$14,436
Developer's Overhead %	5.00%
Discount Rate	20.00%
Annual Appreciation Rate - Average	3.00%
Appreciation Rate Yrs. 1 & 2	5.00%
Expense Inflation Rate (Ann)	3.00%
Tax Inflation Rate	2.00%

- Absorption of these units is projected to take place over the next three years as year 1 is construction time
- Construction cost are based on $500 per square foot
- A 20 percent discount rate is applied as all of the construction and marketing risk remains on this project

Following is the discounted cash flow for this project.

Discounted Cash Flow Analysis - Lot 9A Treehouse Townhomes				
Fiscal Year		2014	2015	2016
Period	Totals	1	2	3
Units Completed:		0	6	0
Cumulative Units Completed:		0	6	6
Average Unit Price:		$2,700,000	2,835,000	2,920,050
Units Sold Per Period:		0	4	2
Cumulative Units Sold:		0	4	6
Unsold Inventory:		0	2	0
Total Unit Sales	6	0	4	2
Total Sales Income:	$17,180,100	$0	$11,340,000	$5,840,100
Expenses:				
Sales Commissions/Marketing:	$1,030,806	$0	$680,400	$350,406
Closing Costs:	$85,901	0	56,700	29,201
Property Taxes:	$119,658	53,724	65,934	0
Construction Costs:	$9,690,000	0	9,690,000	0
HOA Dues	$57,744	28,872	28,872	0
Mello Roos Taxes Developed	$22,496	11,248	11,248	0
Developer's Overhead:	$859,005	0	567,000	292,005
Total Expenses:	$11,876,858	93,844	11,111,402	671,612
Net Cash Flow:	$5,303,243	($93,844)	$228,598	$5,168,489
Annual Discount Factor:		0.833333	0.694444	0.578704
Discounted Cash Flow	$3,071,569	($78,203)	$158,749	$2,991,023

Following is a summary of the calculations from the discounted cash flow for this project.

Value Summary:			Total	Percent
Lot 9A Tree House Townhomes		Total	Per Unit	of Sales
Total Units Sold		6		
Total Sales Revenue		$17,180,100	$2,863,350	100.0%
Sales Commissions/Marketing:		$1,030,806	171,801	6.0%
Closing Costs:		$85,901	14,317	0.5%
Property Taxes:		$119,658	19,943	0.7%
Construction Costs:		$9,690,000	1,615,000	56.4%
HOA Dues		$57,744	9,624	0.3%
Mello Roos Taxes Developed		$22,496	3,749	0.1%
Developer's Overhead:		$859,005	143,168	5.0%
Total Deductions		$11,865,610	$1,977,602	69.1%
Present Value of Cash Flow				
Discounted @	20.00%	$3,071,569		
Value to Single Purchaser:		**$3,071,569**		
Value Per Unit:		**$511,928**		
TOTAL INDICATED VALUE (Rounded)		**$3,100,000**		
INTERNAL RATE OF RETURN		**20%**		

LOT 10C HOME RUN CABINS

The developer is in the planning process and intends to begin construction in Summer 2014 on 11 units next to the Home Run Townhomes and along the Home Run ski run. These units are proposed to be 10 duplex units in five buildings and one single family residence with average 2,200 square feet per unit with generally similar quality to the Home Run townhomes. The developer is proposing a similar to the latest sales of Home Run units. Based on the above information we have applied an average unit price of $900 per square foot. It is noted all of the units in this project will have direct ski access to the Home Run ski run. Not all of the Home Run Townhomes had this same “beach front” location. Thus in looking at the two most recent sales of the smaller and more similar size units with direct ski access the sale prices were in the mid - $900 per square foot range and our estimate of $900 per square foot equals $1,980,000, rounded up to $2.0 million per unit. The following table summarizes the assumptions applied in the analysis of these higher end cabins on Lot 10C.

Summary of Assumptions Lot 10C Home Run Cabins	
No. of Units	11
Average Base Price	$2,000,000
Sale Commission/Marketing	6.00%
Closing costs	0.50%
Real Estate Tax Per Unit	$24,420
Mello Roos Tax per share/year	$5,624
Construction Costs/Unit	$990,000
HOA Dues	$14,436
Developer's Overhead %	5.00%
Discount Rate	20.00%
Annual Appreciation Rate - Average	3.00%
Appreciation Rate Yrs. 1 & 2	5.00%
Expense Inflation Rate (Ann)	3.00%
Tax Inflation Rate	2.00%

- Absorption of these units is projected to take place over the next three years as year 1 is construction time
- Construction cost are based on $450 per square foot
- A 20 percent discount rate is applied as all of the construction and marketing risk remains on this project

Following is the discounted cash flow for this project.

Discounted Cash Flow Analysis - Lot 10C Home Run Cabins					
Fiscal Year		2014	2015	2016	2017
Period	Totals	1	2	3	4
Units Completed:		0	11	0	0
Cumulative Units Completed:		0	11	11	11
Average Unit Price:		$2,000,000	2,100,000	2,163,000	2,227,890
Units Sold Per Period:		0	4	4	3
Cumulative Units Sold:		0	4	8	11
Unsold Inventory:		0	7	3	0
Total Unit Sales	11	0	4	4	3
Total Sales Income:	$23,735,670	$0	$8,400,000	$8,652,000	$6,683,670
Expenses:					
Sales Commissions/Marketing:	$1,424,140	$0	$504,000	$519,120	$401,020
Closing Costs:	$118,678	0	42,000	43,260	33,418
Property Taxes:	$297,924	53,724	170,940	73,260	0
Construction Costs:	$10,890,000	0	10,890,000	0	0
HOA Dues	$173,232	28,872	101,052	43,308	0
Mello Roos Taxes Developed	$67,488	11,248	39,368	16,872	0
Developer's Overhead:	$1,186,784	0	420,000	432,600	334,184
Total Expenses:	$14,197,614	93,844	12,206,728	1,128,420	768,622
Net Cash Flow:	$9,538,056	($93,844)	($3,806,728)	$7,523,580	$5,915,048
Annual Discount Factor:		0.833333	0.694444	0.578704	0.482253
Discounted Cash Flow	$4,484,709	($78,203)	($2,643,561)	$4,353,924	$2,852,550

Following is a summary of the calculations from the discounted cash flow for this project.

Value Summary:			Total	Percent
Lot 10C Home Run Cabins		Total	Per Unit	of Sales
Total Units Sold		11		
Total Sales Revenue		$23,735,670	$2,157,788	100.0%
Sales Commissions/Marketing:		$1,424,140	129,467	6.0%
Closing Costs:		$118,678	10,789	0.5%
Property Taxes:		$297,924	27,084	1.3%
Construction Costs:		$10,890,000	990,000	45.9%
HOA Dues		$173,232	15,748	0.7%
Mello Roos Taxes Developed		$67,488	6,135	0.3%
Developer's Overhead:		$1,186,784	107,889	5.0%
Total Deductions		$14,158,246	$1,287,113	59.6%
Present Value of Cash Flow				
Discounted @	20.00%	$4,484,709		
Value to Single Purchaser:		**$4,484,709**		
Value Per Unit:		**$407,701**		
TOTAL INDICATED VALUE (Rounded)		**$4,500,000**		
INTERNAL RATE OF RETURN		**20%**		

MARTIS 25 LOTS

The Martis 25 lots are situated at the terminus of Mountainside View Road with excellent ski access to Northstar California. Four of these lots are sold with one under contract which are summarized in the following table.

Martis 25 Sales Summary					
Lot #	Acreage	Sale Date	Sale Price	Club Membership	Net Revenue
5	0.74	Jun-13	$1,695,000	($10,000)	$1,685,000
11	0.90	Jun-13	$1,095,000	($10,000)	$1,085,000
19	0.54	Feb-14	$1,645,000	($10,000)	$1,635,000
16	0.54	Contract	$1,645,000	($10,000)	$1,635,000
12	0.75	May-13	$995,000	($10,000)	$985,000
Totals	5		$7,075,000		$7,025,000
Averages	0.69		$1,415,000		$1,405,000

The asking prices for the remaining 21 lots are summarized as follows;

Martis 25 Lot Inventory Summary				
Lot #	Acreage	Current List Price	Club Membership	Net Revenue
1	1.42	$995,000	($10,000)	$985,000
2	1.09	$995,000	($10,000)	$985,000
3	1.22	$825,000	($10,000)	$815,000
4	0.89	$745,000	($10,000)	$735,000
6	0.69	$1,445,000	($10,000)	$1,435,000
7	0.84	$1,545,000	($10,000)	$1,535,000
8	0.72	$1,895,000	($10,000)	$1,885,000
9	0.85	$1,995,000	($10,000)	$1,985,000
10	0.88	$2,095,000	($10,000)	$2,085,000
13	0.60	$1,145,000	($10,000)	$1,135,000
14	1.31	$1,295,000	($10,000)	$1,285,000
15	1.30	$2,095,000	($10,000)	$2,085,000
16	0.54	$1,645,000	($10,000)	$1,635,000
17	0.51	$2,245,000	($10,000)	$2,235,000
18	0.82	$2,595,000	($10,000)	$2,585,000
20	0.95	$1,095,000	($10,000)	$1,085,000
21	0.58	$1,245,000	($10,000)	$1,235,000
22	0.68	$1,495,000	($10,000)	$1,485,000
23	0.78	$1,695,000	($10,000)	$1,685,000
24	0.82	$2,395,000	($10,000)	$2,385,000
25	0.80	$1,795,000	($10,000)	$1,785,000
Average:	**0.87**	**$ 1,584,524**		**$ 1,574,524**
Minimum	**0.51**	**$745,000**		**$735,000**
Maximum	**1.42**	**$2,595,000**		**$2,585,000**

Based on the above tables we have applied an average lot price of $1,400,000. Following is a summary of the assumptions applied in this analysis.

Summary of Assumptions Martis 25	
No. of Units	21
Average Base Price	$1,400,000
Sale Commission/Marketing	6.00%
Closing costs	0.50%
Real Estate Tax Per Unit	$19,600
Mello Roos Tax per share/year	$5,632
HOA Dues	$6,500
Developer's Overhead %	1.00%
Discount Rate	16.00%
Annual Appreciation rate	3.00%
Appreciation Rate Yrs. 1 & 2	5.00%
Expense Inflation Rate (Ann)	3.00%
Tax Inflation Rate	2.00%

- These lots are completed and four are sold with one under contract. As a result we have applied a 16 percent discount rate in this analysis.
- Absorption has been projected over the next four years at 5 to 6 lots per year which is consistent with the actual absorption at the property. It is noted that four of the lot sales have been to builders with one speculative home currently under construction at an offering price of $3.7 million.

Following is the discounted cash flow.

Discounted Cash Flow Analysis					Martis 25
Fiscal Year		2014	2015	2016	2017
Period	Totals	1	2	3	4
Appreciation Rate:		5.000%	5.000%	3.000%	3.000%
Units Completed:	21	21	0	0	0
Cumulative Units Completed:		21	21	21	21
Average Unit Price:		$1,400,000	1,470,000	1,543,500	1,589,805
Units Sold Per Period:	21	5	5	5	6
Cumulative Units Sold:		5	10	15	21
Unsold Inventory		16	11	6	0
Total Unit Sales	21	5	5	5	6
Total Sales Income:	$31,606,330	$7,000,000	$7,350,000	$7,717,500	$9,538,830
Total Income:		7,000,000	7,350,000	7,717,500	9,538,830
Cumulative Income:		$7,000,000	$14,350,000	$22,067,500	$31,606,330
Expenses:					
Sales Commissions/Marketing:	$1,896,380	$420,000	$441,000	$463,050	$572,330
Closing Costs:	$158,032	35,000	36,750	38,588	47,694
Property Taxes:	$650,328	313,600	215,600	121,128	0
HOA Dues	$67,980	32,960	22,660	12,360	0
Mello Roos Taxes	$185,856	90,112	61,952	33,792	0
Developer's Overhead:	$316,063	70,000	73,500	77,175	95,388
Total Expenses:	$3,274,639	961,672	851,462	746,093	715,412
Net Cash Flow:	$28,331,691	$6,038,328	$6,498,538	$6,971,408	$8,823,418
Annual Discount Factor:		0.862069	0.743163	0.640658	0.552291
Discounted Cash Flow	$19,374,308	$5,205,455	$4,829,472	$4,466,286	$4,873,095

Following is a summary of the discounted cash flow calculations.

Value Summary:			Total	Percent
Martis 25		Total	Per Unit	of Sales
Total Units Sold:		21		
Total Sales Revenue		$31,606,330	$1,505,063	100.0%
Sales Commissions/Marketing:		$1,896,380	90,304	6.0%
Closing Costs:		$158,032	7,525	0.5%
Property Taxes:		$650,328	30,968	2.1%
HOA Dues		$67,980	3,237	0.2%
Mello Roos Taxes		$185,856	8,850	0.6%
Developer's Overhead:		$316,063	15,051	1.0%
Total Deductions		$3,274,639	$155,935	10.4%
Present Value of Cash Flow				
Discounted @	16.00%	$19,374,308		
Value to Single Purchaser:		**$19,374,308**		
Value Per Unit:		**$922,586**		
TOTAL INDICATED VALUE (Rounded)		**$19,400,000**		
INTERNAL RATE OF RETURN		**16%**		

Future Development Mountainside Tentative Map

The future development in the Mountainside area of Northstar is projected to take place on numerous development parcels identified in a tentative tract map. For the purposes of this analysis these various parcels have been allocated to the respective parcel numbers on the underlying Placer County assessor's parcel. Following are the discounted cash flows for the various future development parcels.

PARCEL 110-030-79

This is a small development parcel identified on the tentative tract map as Parcel 10G. These lots are adjacent to the Martis 25 and will have good ski access. Some of the lots may not have the same good views as the Martis 25. Following are the assumptions for this analysis.

Summary of Assumptions Parcel 110-030-079	
No. of Lots	5
No. of Acres	4.0
Average Base Price/Lot	$1,400,000
Sale Commission/Marketing	6.00%
Closing costs	0.50%
Real Estate Tax Per Unit	$19,040
Mello Roos Tax Per Unit - Developed	$5,000
Mello Roos Tax/Unit- Undeveloped	$30,256
Construction Costs/Lot	$175,000
HOA Dues	$12,000
Developer's Overhead %	5.00%
Discount Rate	20.00%
Annual Appreciation rate	3.00%
Appreciation Rate Yrs. 1 & 2	5.00%
Tax Inflation Rate	2.00%

- These lots are projected for completion in Year 3 to overlap with the sellout of the Martis 25 lots.
- A 20 percent discount rate is applied to this project as the construction risk remains, as does market risk related to the uncertain depth of the market for ski access lots

Discounted Cash Flow Analysis 110-030-079					
Fiscal Year		2014	2015	2016	2017
Period	Totals	1	2	3	4
Appreciation Rate:		5.000%	5.000%	4.000%	3.000%
Lots Completed:	5	0	0	5	0
Cumulative Units Completed:		0	0	5	5
Average Unit Price:		$1,400,000	1,470,000	1,543,500	1,605,240
Units Sold Per Period:	5	0	0	3	2
Cumulative Units Sold:		0	0	3	5
Unsold Inventory		0	0	2	0
Total Sales Income:	$7,840,980	$0	$0	$4,630,500	$3,210,480
Cumulative Income:		$0	$0	$4,630,500	$7,840,980
Expenses:					
Sales Commissions/Marketing:	$470,459	$0	$0	$277,830	$192,629
Closing Costs:	$39,205	0	0	23,153	16,052
Property Taxes:	$58,769	10,242	10,447	38,080	0
Construction Costs:	$928,288	0	0	928,288	0
HOA Dues	$24,000	0	0	24,000	0
Mello Roos Taxes - Developed	$10,000	0	0	10,000	0
Mello Roos Taxes - Undeveloped	$527,193	151,280	154,306	157,392	64,216
Developer's Overhead:	$392,049	0	0	231,525	160,524
Total Expenses:	$2,449,962	161,522	164,752	1,690,267	433,421
Net Cash Flow:	$5,391,018	($161,522)	($164,752)	$2,940,233	$2,777,059
Annual Discount Factor:		0.833333	0.694444	0.578704	0.482253
Discounted Cash Flow	$2,791,756	($134,602)	($114,411)	$1,701,524	$1,339,245

Value Summary: Parcel 110-030-079	Total	Total Per Unit	Percent of Sales
Total Units Sold	5		
Total Sales Revenue	$7,840,980	$1,568,196	100.0%
Sales Commissions/Marketing:	$470,459	94,092	6.0%
Closing Costs:	$39,205	7,841	0.5%
Property Taxes:	$58,769	11,754	0.7%
Construction Costs:	$928,288	185,658	11.8%
HOA Dues	$24,000	4,800	0.3%
Mello Roos Taxes - Developed	$10,000	2,000	0.1%
Mello Roos Taxes - Undeveloped	$527,193	105,439	6.7%
Developer's Overhead:	$392,049	78,410	5.0%
Total Deductions	$2,449,962	$489,992	31.2%
Present Value of Cash Flow			
Discounted @	$2,791,756		
Value to Single Purchaser:	**$2,791,756**		
Value Per Unit:	**$558,351**		
TOTAL INDICATED VALUE (Rounded)	**$2,800,000**		
INTERNAL RATE OF RETURN	**20%**		

PARCEL 110-050-072

This is a substantial parcel with 359 units proposed for condominiums, townhomes and five lots adjacent to the previous parcel 110-030-079.

Summary of Assumptions Parcel 110-050-072	
No. of Units - Condominiums	330
No. of Units - Townhomes	24
No. of Lots	5
No. of Acres	113.2
Average Base Price - Condominium	$975,000
Average Base Price - Townhome	$2,100,000
Average Base Price - Lot	$1,400,000
Sale Commission/Marketing	6.00%
Closing costs	0.50%
Real Estate Tax Per Unit - Condo	$13,260
Real Estate Tax Per Unit - Townhome	$28,560
Real Estate Tax Per Unit - Lot	$19,040
Mello Roos Tax Per Unit - Undeveloped Land	$4,540
Mello Roos Tax/Unit- Developed	$4,250
Construction Costs/Unit - Condo	$600,000
Constrution Cost/Unit - Townhome	$1,120,000
Construction Costs/Lot	$175,000
HOA Dues	$12,000
Developer's Overhead %	5.00%
Discount Rate	20.00%
Annual Appreciation rate	3.00%
Appreciation Rate Yrs. 1 & 2	5.00%
Expense Inflation Rate (Ann)	3.00%
Tax Inflation Rate	2.00%

This parcel is projected for a long steady sellout over the next 18 years. The following discounted cash flows identify the start date in 2017 and sellout over the following 15 years.

Discounted Cash Flow Analysis		Parcel 110-050-072								
Fiscal Year		2014	2015	2016	2017	2018	2019	2020	2021	2022
Period	Totals	1	2	3	4	5	6	7	8	9
Appreciation Rate:		5.000%	5.000%	4.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%
Condo Units Completed:	330	0	0	0	30	22	22	22	22	22
Cumulative Units Completed:		0	0	0	30	52	74	96	118	140
Average Unit Price:		$975,000	1,023,750	1,074,938	1,117,935	1,151,473	1,186,017	1,221,598	1,258,246	1,295,993
Units Sold Per Period:	330	0	0	0	25	22	22	22	25	22
Cumulative Units Sold:		0	0	0	25	47	69	91	116	138
Unsold Inventory		0	0	0	5	5	5	5	2	2
Townhome Units Completed:	24	0	0	0	0	0	12	12		0
Cumulative Units Completed:		0	0	0	0	0	12	24	24	24
Average Unit Price:		$2,100,000	2,205,000	2,293,200	2,361,996	2,432,856	2,505,842	2,581,017	2,658,447	2,738,201
Units Sold Per Period:	24	0	0	0	0	0	6	6	6	6
Cumulative Units Sold:		0	0	0	0	0	6	12	18	24
Unsold Inventory:		0	0	0	0	0	6	12	6	0
Units Completed:	5	0	0	0	0	0	0	5	0	0
Cumulative Units Completed:		0	0	0	0	0	0	5	5	5
Average Unit Price:		$1,400,000	1,470,000	1,543,500	1,605,240	1,653,397	1,702,999	1,754,089	1,806,712	1,860,913
Unit Sales per Period:	5	0	0	0	0	0	0	3	2	0
Cumulative Units Sold:		0	0	0	0	0	0	3	5	5
Unsold Inventory:		0	0	0	0	0	0	2	0	0
Total Unit Sales	359	0	0	0	25	22	28	31	33	28
Cumulative Units Sold		0	0	0	25	47	75	106	139	167
Total Sales Income:	$526,487,209	$0	$0	$0	$27,948,375	$25,332,407	$41,127,429	$47,623,519	$51,020,250	$44,941,052
Vacant		$0	$0	$0	$0	$0	$0	$0	$0	$0
Vacant		$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Income:		0	0	0	27,948,375	25,332,407	41,127,429	47,623,519	51,020,250	44,941,052
Cumulative Income:		$0	$0	$0	$27,948,375	$53,280,782	$94,408,211	$142,031,730	$193,051,979	$237,993,031
Expenses:										
Sales Commissions/Marketing:	$31,589,233	$0	$0	$0	$1,676,903	$1,519,944	$2,467,646	$2,857,411	$3,061,215	$2,696,463
Closing Costs:	$2,632,436	0	0	0	139,742	126,662	205,637	238,118	255,101	224,705
Property Taxes:	$1,839,994	174,982	178,482	182,051	66,300	66,300	237,660	418,099	197,880	26,520
Construction Costs:	$293,337,088	0	0	0	19,669,086	14,856,716	28,742,418	30,076,490	16,234,335	16,721,365
HOA Dues	$844,120	0	0	0	60,000	60,000	132,000	208,120	96,000	24,000
Mello Roos Taxes - Developed	$306,000	0	0	0	21,250	21,250	46,750	80,750	34,000	8,500
Mello Roos Taxes - Undeveloped	$15,315,200	1,629,719	1,662,314	1,695,560	1,493,531	1,393,660	1,266,551	1,125,823	976,016	848,907
Developer's Overhead:	$26,324,360	0	0	0	1,397,419	1,266,620	2,056,371	2,381,176	2,551,012	2,247,053
Total Expenses:	$372,188,431	1,804,701	1,840,795	1,877,611	24,524,230	19,311,153	35,155,033	37,385,987	23,405,559	22,797,513
Net Cash Flow:	$154,298,778	($1,804,701)	($1,840,795)	($1,877,611)	$3,424,145	$6,021,254	$5,972,396	$10,237,532	$27,614,690	$22,143,539
Annual Discount Factor:		0.833333	0.694444	0.578704	0.482253	0.401878	0.334898	0.279082	0.232568	0.193807
Discounted Cash Flow	$22,726,919	($1,503,918)	($1,278,330)	($1,086,581)	$1,651,304	$2,419,807	$2,000,143	$2,857,107	$6,422,294	$4,291,566

Fiscal Year		2023	2024	2025	2026	2027	2028	2029	2030	2031
Period	Totals	10	11	12	13	14	15	16	17	18
Appreciation Rate:		3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%
Condo Units Completed:	330	22	22	22	22	22	22	22	22	14
Cumulative Units Completed:		162	184	206	228	250	272	294	316	330
Average Unit Price:		1,334,873	1,374,919	1,416,167	1,458,652	1,502,411	1,547,483	1,593,908	1,641,725	1,690,977
Units Sold Per Period:	330	22	22	22	22	22	22	22	16	22
Cumulative Units Sold:		160	182	204	226	248	270	292	308	330
Unsold Inventory		2	2	2	2	2	2	2	8	0
Townhome Units Completed:	24	0	0	0	0	0	0	0	0	0
Cumulative Units Completed:		24	24	24	24	24	24	24	24	24
Average Unit Price:		2,820,347	2,904,957	2,992,106	3,081,869	3,174,325	3,269,555	3,367,642	3,468,671	3,572,731
Units Sold Per Period:	24	0	0	0	0	0	0	0	0	0
Cumulative Units Sold:		24	24	24	24	24	24	24	24	24
Unsold Inventory:		0	0	0	0	0	0	0	0	0
Units Completed:	5	0	0	0	0	0	0	0	0	0
Cumulative Units Completed:		5	5	5	5	5	5	5	5	5
Average Unit Price:		1,916,741	1,974,243	2,033,470	2,094,474	2,157,308	2,222,028	2,288,688	2,357,349	2,428,070
Unit Sales per Period:	5	0	0	0	0	0	0	0	0	0
Cumulative Units Sold:		5	5	5	5	5	5	5	5	5
Unsold Inventory:		0	0	0	0	0	0	0	0	0
Total Unit Sales	359	22	22	22	22	22	22	22	16	22
Cumulative Units Sold		189	211	233	255	277	299	321	337	359
Total Sales Income:	$526,487,209	$29,367,203	$30,248,219	$31,155,665	$32,090,335	$33,053,045	$34,044,637	$35,065,976	$26,267,604	$37,201,494
Vacant		$0	$0	$0	$0	$0	$0	$0	$0	$0
Vacant		$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Income:		29,367,203	30,248,219	31,155,665	32,090,335	33,053,045	34,044,637	35,065,976	26,267,604	37,201,494
Cumulative Income:		$267,360,234	$297,608,453	$328,764,118	$360,854,453	$393,907,499	$427,952,136	$463,018,112	$489,285,715	$526,487,209
Expenses:										
Sales Commissions/Marketing:	$31,589,233	$1,762,032	$1,814,893	$1,869,340	$1,925,420	$1,983,183	$2,042,678	$2,103,959	$1,576,056	$2,232,090
Closing Costs:	$2,632,436	146,836	151,241	155,778	160,452	165,265	170,223	175,330	131,338	186,007
Property Taxes:	$1,839,994	26,520	26,520	26,520	26,520	26,520	26,520	26,520	106,080	0
Construction Costs:	$293,337,088	17,223,006	17,739,696	18,271,887	18,820,044	19,384,645	19,966,184	20,565,170	21,182,125	13,883,920
HOA Dues	$844,120	24,000	24,000	24,000	24,000	24,000	24,000	24,000	96,000	0
Mello Roos Taxes - Developed	$306,000	8,500	8,500	8,500	8,500	8,500	8,500	8,500	34,000	0
Mello Roos Taxes - Undeveloped	$15,315,200	749,035	649,164	549,293	449,421	349,550	249,678	149,807	77,173	0
Developer's Overhead:	$26,324,360	1,468,360	1,512,411	1,557,783	1,604,517	1,652,652	1,702,232	1,753,299	1,313,380	1,860,075
Total Expenses:	$372,188,431	21,408,290	21,926,425	22,463,101	23,018,873	23,594,315	24,190,016	24,806,584	24,516,153	18,162,092
Net Cash Flow:	$154,298,778	$7,958,913	$8,321,794	$8,692,564	$9,071,462	$9,458,730	$9,854,621	$10,259,392	$1,751,451	$19,039,402
Annual Discount Factor:		0.161506	0.134588	0.112157	0.093464	0.077887	0.064905	0.054088	0.045073	0.037561
Discounted Cash Flow	$22,726,919	$1,285,409	$1,120,013	$974,929	$847,854	$736,708	$639,619	$554,909	$78,944	$715,140

Value Summary:		Total	Total	Percent
Parcel 110-050-072		Total	Per Unit	of Sales
Total Units Sold		359		
Total Sales Revenue		$526,487,209	$1,466,538	100.0%
Sales Commissions/Marketing:		$31,589,233	87,992	6.0%
Closing Costs:		$2,632,436	7,333	0.5%
Property Taxes:		$1,839,994	5,125	0.3%
Construction Costs:		$293,337,088	817,095	55.7%
HOA Dues		$844,120	2,351	0.2%
Mello Roos Taxes - Developed		$306,000	852	0.1%
Mello Roos Taxes - Undeveloped		$15,315,200	42,661	2.9%
Developer's Overhead:		$26,324,360	73,327	5.0%
Total Deductions		$372,188,431	$1,036,737	70.7%
Present Value of Cash Flow				
Discounted @	20.00%	$22,726,919		
Value to Single Purchaser:		**$22,726,919**		
Value Per Unit:		**$63,306**		
TOTAL INDICATED VALUE (Rounded)		**$22,700,000**		
INTERNAL RATE OF RETURN		**20%**		

PARCEL 110-050-071

This parcel has the largest number of units with a total of 421 mixed between townhomes and condominiums.

Summary of Assumptions Parcel 110-050-071	
No. of Units - Condominiums	310
No. of Units - Townhomes	111
Total Units	421
No. of Acres	125.5
Average Base Price - Condominium	$975,000
Average Base Price - Townhome	$2,100,000
Sale Commission/Marketing	6.00%
Closing costs	0.50%
Real Estate Tax Per Unit	$13,260
Real Estate Tax Per Unit	$28,560
Mello Roos Tax Per Unit - Undeveloped Land	$5,033
Mello Roos Tax/Unit- Developed	$4,887
Construction Costs/Unit - Condo	$600,000
Constrution Cost/Unit - Townhome	$1,120,000
HOA Dues	$12,000
Developer's Overhead %	5.00%
Discount Rate	20.00%
Annual Appreciation rate	3.00%
Appreciation Rate Yrs. 1 & 2	5.00%
Expense Inflation Rate (Ann)	3.00%
Tax Inflation Rate	2.00%

- The average condominium unit pricing for this parcel is estimated at $650 per square foot for an average 1,500 square foot unit
- Townhome pricing is estimated at $700 per square foot for an average 2,800 square foot unit indicating a $2,100,000 average price
- Construction cost is based on $400 per square foot
- A 20 percent discount rate is applied given the long term sell out period

Discounted Cash Flow Analysis **Parcel 110-050-071**

Fiscal Year		2014	2015	2016	2017	2018	2019	2020	2021	2022
Period	Totals	1	2	3	4	5	6	7	8	9
Appreciation Rate:		5.000%	5.000%	4.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%
Condo Units Completed:	310	0	0	20	20	20	20	20	20	20
Cumulative Units Completed:		0	0	20	40	60	80	100	120	140
Average Unit Price:		$975,000	1,023,750	1,074,938	1,117,935	1,151,473	1,186,017	1,221,598	1,258,246	1,295,993
Units Sold Per Period:	310	0	0	18	17	18	19	20	20	20
Cumulative Units Sold:		0	0	18	35	53	72	92	112	132
Unsold Inventory		0	0	2	5	7	8	8	8	8
Townhome Units Completed:	111	0	0	0	0	0	0	0	15	10
Cumulative Units Completed:		0	0	0	0	0	0	0	15	25
Average Unit Price:		$2,100,000	2,205,000	2,293,200	2,361,996	2,432,856	2,505,842	2,581,017	2,658,447	2,738,201
Units Sold Per Period:	111	0	0	0	0	0	0	0	12	10
Cumulative Units Sold:		0	0	0	0	0	0	0	12	22
Unsold Inventory:		0	0	0	0	0	0	0	3	3
Total Unit Sales	421	0	0	18	17	18	19	20	32	30
Cumulative Units Sold		0	0	18	35	53	72	92	124	154
Total Sales Income:	$767,204,352	$0	$0	$19,348,875	$19,004,895	$20,726,515	$22,534,328	$24,431,955	$57,066,282	$53,301,869
Vacant		$0	$0	$0	$0	$0	$0	$0	$0	$0
Vacant		$0	$0	$20,160,000	$19,040,000	$0	$0	$0	$0	$0
Total Income:		0	0	39,508,875	38,044,895	20,726,515	22,534,328	24,431,955	57,066,282	53,301,869
Cumulative Income:		$0	$0	$39,508,875	$77,553,770	$98,280,285	$120,814,612	$145,246,568	$202,312,849	$255,614,718
Expenses:										
Sales Commissions/Marketing:	$46,032,261	$0	$0	$1,160,933	$1,140,294	$1,243,591	$1,352,060	$1,465,917	$3,423,977	$3,198,112
Closing Costs:	$3,836,022	0	0	96,744	95,024	103,633	112,672	122,160	285,331	266,509
Property Taxes:	$2,384,926	34,419	35,107	26,520	66,300	92,820	106,080	106,080	191,760	191,760
Construction Costs:	$371,016,139	0	0	12,730,800	13,112,724	13,506,106	13,911,289	14,328,628	31,558,486	26,401,241
HOA Dues	$1,680,000	0	0	24,000	60,000	84,000	96,000	96,000	132,000	132,000
Mello Roos Taxes - Developed	$684,180	0	0	9,774	24,435	34,209	39,096	39,096	53,757	53,757
Mello Roos Taxes - Undeveloped	$18,190,769	396,180	404,104	2,028,471	1,942,902	1,852,301	1,756,666	1,655,997	1,494,927	1,343,925
Developer's Overhead:	$38,360,218	0	0	967,444	950,245	1,036,326	1,126,716	1,221,598	2,853,314	2,665,093
Total Expenses:	$482,184,515	430,599	439,211	17,044,685	17,391,924	17,952,985	18,500,578	19,035,475	39,993,553	34,252,397
Net Cash Flow:	$324,219,837	($430,599)	($439,211)	$22,464,190	$20,652,971	$2,773,530	$4,033,749	$5,396,480	$17,072,728	$19,049,471
Annual Discount Factor:		0.833333	0.694444	0.578704	0.482253	0.401878	0.334898	0.279082	0.232568	0.193807
Discounted Cash Flow	$52,659,734	($358,833)	($305,008)	$13,000,110	$9,959,959	$1,114,620	$1,350,895	$1,506,058	$3,970,571	$3,691,915

Fiscal Year		2023	2024	2025	2026	2027	2028	2029	2030	2031
Period	Totals	10	11	12	13	14	15	16	17	18
Appreciation Rate:		3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%
Condo Units Completed:	310	20	20	20	20	20	20	20	20	10
Cumulative Units Completed:		160	180	200	220	240	260	280	300	310
Average Unit Price:		1,334,873	1,374,919	1,416,167	1,458,652	1,502,411	1,547,483	1,593,908	1,641,725	1,690,977
Units Sold Per Period:	310	20	20	20	20	20	20	20	20	18
Cumulative Units Sold:		152	172	192	212	232	252	272	292	310
Unsold Inventory		8	8	8	8	8	8	8	8	0
Townhome Units Completed:	111	10	10	10	10	10	10	10	10	6
Cumulative Units Completed:		35	45	55	65	75	85	95	105	111
Average Unit Price:		2,820,347	2,904,957	2,992,106	3,081,869	3,174,325	3,269,555	3,367,642	3,468,671	3,572,731
Units Sold Per Period:	111	10	10	10	10	10	10	10	10	9
Cumulative Units Sold:		32	42	52	62	72	82	92	102	111
Unsold Inventory:		3	3	3	3	3	3	3	3	0
Total Unit Sales	421	30	30	30	30	30	30	30	30	27
Cumulative Units Sold		184	214	244	274	304	334	364	394	421
Total Sales Income:	$767,204,352	$54,900,925	$56,547,952	$58,244,391	$59,991,723	$61,791,474	$63,645,219	$65,554,575	$67,521,212	$62,592,164
Vacant		$0	$0	$0	$0	$0	$0	$0	$0	$0
Vacant		$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Income:		54,900,925	56,547,952	58,244,391	59,991,723	61,791,474	63,645,219	65,554,575	67,521,212	62,592,164
Cumulative Income:		$310,515,642	$367,063,595	$425,307,985	$485,299,708	$547,091,182	$610,736,401	$676,290,976	$743,812,188	$806,404,352
Expenses:										
Sales Commissions/Marketing:	$46,032,261	$3,294,055	$3,392,877	$3,494,663	$3,599,503	$3,707,488	$3,818,713	$3,933,275	$4,051,273	$3,755,530
Closing Costs:	$3,836,022	274,505	282,740	291,222	299,959	308,957	318,226	327,773	337,606	312,961
Property Taxes:	$2,384,926	191,760	191,760	191,760	191,760	191,760	191,760	191,760	191,760	0
Construction Costs:	$371,016,139	26,857,278	27,326,997	27,810,806	28,309,131	28,822,405	29,351,077	29,895,609	30,456,477	16,637,086
HOA Dues	$1,680,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000	0
Mello Roos Taxes - Developed	$684,180	53,757	53,757	53,757	53,757	53,757	53,757	53,757	53,757	0
Mello Roos Taxes - Undeveloped	$18,190,769	1,192,922	1,041,919	890,916	739,914	588,911	437,908	286,905	135,902	0
Developer's Overhead:	$38,360,218	2,745,046	2,827,398	2,912,220	2,999,586	3,089,574	3,182,261	3,277,729	3,376,061	3,129,608
Total Expenses:	$482,184,515	34,741,323	35,249,447	35,777,345	36,325,609	36,894,852	37,485,702	38,098,807	38,734,836	23,835,185
Net Cash Flow:	$324,219,837	$20,159,601	$21,298,505	$22,467,046	$23,666,113	$24,896,622	$26,159,517	$27,455,768	$28,786,376	$38,756,979
Annual Discount Factor:		0.161506	0.134588	0.112157	0.093464	0.077887	0.064905	0.054088	0.045073	0.037561
Discounted Cash Flow	$52,659,734	$3,255,888	$2,866,523	$2,519,829	$2,211,927	$1,939,112	$1,697,896	$1,485,025	$1,297,495	$1,455,752

Value Summary:			Total	Percent
Parcel 110-050-071		Total	Per Unit	of Sales
Total Units Sold		421		
Total Sales Revenue		$767,204,352	$1,822,338	100.0%
Sales Commissions/Marketing:		$46,032,261	109,340	6.0%
Closing Costs:		$3,836,022	9,112	0.5%
Property Taxes:		$2,384,926	5,665	0.3%
Construction Costs:		$371,016,139	881,273	48.4%
HOA Dues		$1,680,000	3,990	0.2%
Mello Roos Taxes - Developed		$684,180	1,625	0.1%
Mello Roos Taxes - Undeveloped		$18,190,769	43,208	2.4%
Developer's Overhead:		$38,360,218	91,117	5.0%
Total Deductions		$482,184,515	$1,145,331	62.8%
Present Value of Cash Flow				
Discounted @	20.00%	$52,659,734		
Value to Single Purchaser:		**$52,659,734**		
Value Per Unit:		**$125,083**		
TOTAL INDICATED VALUE (Rounded)		**$52,700,000**		
INTERNAL RATE OF RETURN		**20%**		

PARCEL 110-081-017

This is an odd parcel planned for two townhomes. Its development does not occur until year 10 due to its location downhill from many years of development until the infrastructure reaches this parcel.

Summary of Assumptions Parcel 110-081-017	
No. of Units - Townhomes	2
No. of Acres	2.1
Average Base Price/Townhome	$2,100,000
Sale Commission/Marketing	6.00%
Closing costs	0.50%
Real Estate Tax Per Unit	$28,560
Mello Roos Tax Per Unit - Undeveloped Land	$5,064
Mello Roos Tax/Unit- Developed	$6,000
Construction Costs/Unit	$1,120,000
HOA Dues	$12,000
Developer's Overhead %	5.00%
Discount Rate	20.00%
Annual Appreciation rate	3.00%
Appreciation Rate Yrs. 1 & 2	5.00%
Prior to appreciation	0
Tax Inflation Rate	2.00%

		Discounted Cash Flow Analysis		Parcel 110-081-017							
Fiscal Year		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Period	Totals	1	2	3	4	5	6	7	8	9	10
Appreciation Rate:		5.000%	5.000%	4.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%
Lots Completed:	2	0	0	0	0	0	0	0	0	0	2
Cumulative Units Completed:		0	0	0	0	0	0	0	0	0	2
Average Unit Price:		$2,100,000	2,205,000	2,315,250	2,407,860	2,480,096	2,554,499	2,631,134	2,710,068	2,791,370	2,875,111
Units Sold Per Period:	2	0	0	0	0	0	0	0	0	0	2
Cumulative Units Sold:		0	0	0	0	0	0	0	0	0	2
Unsold Inventory		0	0	0	0	0	0	0	0	0	0
Total Unit Sales	2	0	0	0	0	0	0	0	0	0	2
Cumulative Sales		0	0	0	0	0	0	0	0	0	2
Total Sales Income:	$5,750,222	$0	$0	$0	$0	$0	$0	$0	$0	$0	$5,750,222
Expenses:											
Sales Commissions/Marketing:	$345,013	$0	$0	$0	$0	$0	$0	$0	$0	$0	$345,013
Closing Costs:	$28,751	0	0	0	0	0	0	0	0	0	28,751
Property Taxes:	$6,296	575	587	598	610	622	635	648	660	674	687
Construction Costs:	$2,922,692	0	0	0	0	0	0	0	0	0	2,922,692
HOA Dues	$0	0	0	0	0	0	0	0	0	0	0
Mello Roos Taxes - Developed	$0	0	0	0	0	0	0	0	0	0	0
Mello Roos Taxes - Undeveloped	$100,771	10,331	10,537	10,748	10,963	11,182	11,406	11,634	11,867	12,104	0
Developer's Overhead:	$287,511	0	0	0	0	0	0	0	0	0	287,511
Total Expenses:	$3,691,034	10,906	11,124	11,346	11,573	11,805	12,041	12,281	12,527	12,778	3,584,655
Net Cash Flow:	$2,059,187	($10,906)	($11,124)	($11,346)	($11,573)	($11,805)	($12,041)	($12,281)	($12,527)	($12,778)	$2,165,567
Annual Discount Factor:		0.833333	0.694444	0.578704	0.482253	0.401878	0.334898	0.279082	0.232568	0.193807	0.161506
Discounted Cash Flow	$303,198	($9,088)	($7,725)	($6,566)	($5,581)	($4,744)	($4,032)	($3,428)	($2,913)	($2,476)	$349,751

Value Summary: Parcel 110-081-017		Total	Total Per Unit	Percent of Sales
Total Units Sold		2		
Total Sales Revenue		$5,750,222	$2,875,111	100.0%
Sales Commissions/Marketing:		$345,013	172,507	6.0%
Closing Costs:		$28,751	14,376	0.5%
Property Taxes:		$6,296	3,148	0.1%
Construction Costs:		$2,922,692	1,461,346	50.8%
HOA Dues		$0	0	0.0%
Mello Roos Taxes - Developed		$0	0	0.0%
Mello Roos Taxes - Undeveloped		$100,771	50,385	1.8%
Developer's Overhead:		$287,511	143,756	5.0%
Total Deductions		$3,691,034	$1,845,517	64.2%
Present Value of Cash Flow				
Discounted @	20.00%	$303,198		
Value to Single Purchaser:		**$303,198**		
Value Per Unit:		**$151,599**		
TOTAL INDICATED VALUE (Rounded)		**$300,000**		
INTERNAL RATE OF RETURN		**20%**		

PARCEL 110-400-005

This parcel is located between the Village and Mountainside View Road with good ski access.

Summary of Assumptions Parcel 110-400-005	
No. of Units - Condominiums	110
No. of Units - Townhomes	17
No. of Acres	25.8
Average Base Price - Condominium	$975,000
Average Base Price - Townhome	$2,100,000
Sale Commission/Marketing	6.00%
Closing costs	0.50%
Real Estate Tax Per Unit - Condo	$13,260
Real Estate Tax Per Unit - Townhome	$28,560
Mello Roos Tax Per Unit - Developed	$4,700
Mello Roos Tax/Unit- Undeveloped	$4,898
Construction Costs/Unit - Condo	$600,000
Construction Cost/Unit - Townhome	$1,120,000
HOA Dues	$12,000
Developer's Overhead %	5.00%
Discount Rate	20.00%
Annual Appreciation rate	3.00%
Appreciation Rate Yrs. 1 & 2	5.00%
Expense Inflation Rate (Ann)	3.00%
Tax Inflation Rate	2.00%

This parcel has the longest term projection before construction begins in year 10 of the analysis.

Discounted Cash Flow Analysis — Parcel 110-400-005

Fiscal Year		2014	2015	2016	2017	2018	2019	2020	2021	2022
Period	Totals	1	2	3	4	5	6	7	8	9
Appreciation Rate:		5.000%	5.000%	4.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%
Condo Units Completed:	110	0	0	0	0	0	0	0	0	0
Cumulative Units Completed:		0	0	0	0	0	0	0	0	0
Average Unit Price:		$975,000	1,023,750	1,074,938	1,117,935	1,151,473	1,186,017	1,221,598	1,258,246	1,295,993
Units Sold Per Period:	110	0	0	0	0	0	0	0	0	0
Cumulative Units Sold:		0	0	0	0	0	0	0	0	0
Unsold Inventory		0	0	0	0	0	0	0	0	0
Townhome Units Completed:	17	0	0	0	0	0	0	0	0	0
Cumulative Units Completed:		0	0	0	0	0	0	0	0	0
Average Unit Price:		$2,100,000	2,205,000	2,293,200	2,361,996	2,432,856	2,505,842	2,581,017	2,658,447	2,738,201
Units Sold Per Period:	17	0	0	0	0	0	0	0	0	0
Cumulative Units Sold:		0	0	0	0	0	0	0	0	0
Unsold Inventory:		0	0	0	0	0	0	0	0	0
Total Unit Sales	127	0	0	0	0	0	0	0	0	0
Cumulative Sales		0	0	0	0	0	0	0	0	0
Total Sales Income:	$217,791,867	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Income:		0	0	0	0	0	0	0	0	0
Cumulative Income:		$0	$0	$0	$0	$0	$0	$0	$0	$0
Expenses:										
Sales Commissions/Marketing:	$13,067,512	$0	$0	$0	$0	$0	$0	$0	$0	$0
Closing Costs:	$1,088,959	0	0	0	0	0	0	0	0	0
Property Taxes:	$921,448	1,922	1,960	2,000	2,040	2,080	2,122	2,164	2,208	2,252
Construction Costs:	$116,857,266	0	0	0	0	0	0	0	0	0
HOA Dues	$720,000	0	0	0	0	0	0	0	0	0
Mello Roos Taxes - Developed	$282,000	0	0	0	0	0	0	0	0	0
Mello Roos Taxes - Undeveloped	$9,311,889	622,052	634,493	647,183	660,127	673,329	686,796	700,532	714,542	728,833
Developer's Overhead:	$10,889,593	0	0	0	0	0	0	0	0	0
Total Expenses:	$153,138,668	623,974	636,453	649,183	662,166	675,410	688,918	702,696	716,750	731,085
Net Cash Flow:	$64,653,199	($623,974)	($636,453)	($649,183)	($662,166)	($675,410)	($688,918)	($702,696)	($716,750)	($731,085)
Annual Discount Factor:		0.833333	0.694444	0.578704	0.482253	0.401878	0.334898	0.279082	0.232568	0.193807
Discounted Cash Flow	$3,306,846	($519,978)	($441,982)	($375,684)	($319,332)	($271,432)	($230,717)	($196,110)	($166,693)	($141,689)

Fiscal Year		2023	2024	2025	2026	2027	2028	2029	2030	2031
Period	Totals	10	11	12	13	14	15	16	17	18
Appreciation Rate:		3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%
Condo Units Completed:	110	0	0	20	20	20	20	20	10	0
Cumulative Units Completed:		0	0	20	40	60	80	100	110	110
Average Unit Price:		1,334,873	1,374,919	1,416,167	1,458,652	1,502,411	1,547,483	1,593,908	1,641,725	1,690,977
Units Sold Per Period:	110	0	0	17	17	17	17	17	17	8
Cumulative Units Sold:		0	0	17	34	51	68	85	102	110
Unsold Inventory		0	0	3	6	9	12	15	8	0
Townhome Units Completed:	17	17	0	0	0	0	0	0	0	0
Cumulative Units Completed:		17	17	17	17	17	17	17	17	17
Average Unit Price:		2,820,347	2,904,957	2,992,106	3,081,869	3,174,325	3,269,555	3,367,642	3,468,671	3,572,731
Units Sold Per Period:	17	10	7	0	0	0	0	0	0	0
Cumulative Units Sold:		10	17	17	17	17	17	17	17	17
Unsold Inventory:		7	0	0	0	0	0	0	0	0
Total Unit Sales	127	10	7	17	17	17	17	17	17	8
Cumulative Sales		10	17	34	51	68	85	102	119	127
Total Sales Income:	$217,791,867	$28,203,467	$20,334,700	$24,074,832	$24,797,077	$25,540,990	$26,307,219	$27,096,436	$27,909,329	$13,527,816
Total Income:		28,203,467	20,334,700	24,074,832	24,797,077	25,540,990	26,307,219	27,096,436	27,909,329	13,527,816
Cumulative Income:		$28,203,467	$48,538,168	$72,613,000	$97,410,077	$122,951,067	$149,258,286	$176,354,722	$204,264,051	$217,791,867
Expenses:										
Sales Commissions/Marketing:	$13,067,512	$1,692,208	$1,220,082	$1,444,490	$1,487,825	$1,532,459	$1,578,433	$1,625,786	$1,674,560	$811,669
Closing Costs:	$1,088,959	141,017	101,674	120,374	123,985	127,705	131,536	135,482	139,547	67,639
Property Taxes:	$921,448	199,920	0	39,780	79,560	119,340	159,120	198,900	106,080	0
Construction Costs:	$116,857,266	19,040,000	0	16,610,806	17,109,131	17,622,405	18,151,077	18,695,609	9,628,239	0
HOA Dues	$720,000	84,000	0	36,000	72,000	108,000	144,000	180,000	96,000	0
Mello Roos Taxes - Developed	$282,000	32,900	0	14,100	28,200	42,300	56,400	70,500	37,600	0
Mello Roos Taxes - Undeveloped	$9,311,889	684,874	656,776	566,380	472,105	373,833	271,441	164,803	53,792	0
Developer's Overhead:	$10,889,593	1,410,173	1,016,735	1,203,742	1,239,854	1,277,049	1,315,361	1,354,822	1,395,466	676,391
Total Expenses:	$153,138,668	23,285,092	2,995,267	20,035,672	20,612,660	21,203,091	21,807,367	22,425,902	13,131,283	1,555,699
Net Cash Flow:	$64,653,199	$4,918,375	$17,339,433	$4,039,160	$4,184,418	$4,337,899	$4,499,852	$4,670,534	$14,778,046	$11,972,117
Annual Discount Factor:		0.161506	0.134588	0.112157	0.093464	0.077887	0.064905	0.054088	0.045073	0.037561
Discounted Cash Flow	$3,306,846	$794,345	$2,333,679	$453,019	$391,092	$337,864	$292,065	$252,619	$666,094	$449,685

Value Summary: Parcel 110-400-005		Total	Total Per Unit	Percent of Sales
Total Units Sold		127		
Total Sales Revenue		$217,791,867	$1,714,897	100.0%
Sales Commissions/Marketing:		$13,067,512	102,894	6.0%
Closing Costs:		$1,088,959	8,574	0.5%
Property Taxes:		$921,448	7,255	0.4%
Construction Costs:		$116,857,266	920,136	53.7%
HOA Dues		$720,000	5,669	0.3%
Mello Roos Taxes - Developed		$282,000	2,220	0.1%
Mello Roos Taxes - Undeveloped		$9,311,889	73,322	4.3%
Developer's Overhead:		$10,889,593	85,745	5.0%
Total Deductions		$153,138,668	$1,205,816	70.3%
Present Value of Cash Flow				
Discounted @	20.00%	$3,306,846		
Value to Single Purchaser:		**$3,306,846**		
Value Per Unit:		**$26,038**		
TOTAL INDICATED VALUE (Rounded)		**$3,300,000**		
INTERNAL RATE OF RETURN		**20%**		

DEVELOPMENT ANALYSIS VALUE SUMMARY

Based on the previous discounted cash flows we have prepared a value summary for the various parcel components of the subject.

Northstar Future Development Value Summary - Developer Owned						
Project	# Units	Total Sales Revenue	Total Expenses	As Is Value	Per Unit	Discount Rate
Home Run Townhomes (Developed)*	4	$8,400,000	$723,844	$7,700,000	$1,925,000	14.00%
Future Development Property in Progress						
Village Walk Phases 2 & 3	22	$37,775,680	$26,185,532	$7,000,000	$318,182	16.00%
Martis 25 Lots	21	$31,606,330	$3,274,639	$19,400,000	$923,810	16.00%
Future Development in Progress	43	$69,382,010	$29,460,171	$26,400,000	$1,241,991	
Future Development Property - Tentative Map						
Lot 9A Treehouse Townhomes	6	$17,180,100	$11,865,610	$3,100,000	$516,667	20.00%
Lot 10C Home Run Cabins	11	$23,735,670	$14,158,246	$4,500,000	$409,091	20.00%
110-030-079	5	$7,840,980	$2,449,962	$2,800,000	$560,000	20.00%
110-050-071	421	$767,204,352	$482,184,515	$52,700,000	$125,178	20.00%
110-050-072	359	$526,487,209	$372,188,431	$22,700,000	$63,231	20.00%
110-081-017	2	$5,750,222	$3,691,034	$300,000	$150,000	20.00%
110-400-005	127	$217,791,867	$153,138,668	$3,300,000	$25,984	20.00%
Total Future Development Tentative Map	931	$1,565,990,400	$1,039,676,466	$89,400,000	$96,026	
Grand Total Future Development*	974	$1,635,372,410	$1,069,136,637	$115,800,000	$118,891	
Per Unit		$1,679,027	$1,097,676	$118,891		
Percent of Total Revenue		100%	65.4%	7.1%		

* Home Run Tow nhome values are included as Projected Assessed Values in the Developed Property presented previously.

The above table indicates a wide range of values per unit which is mostly due to when development starts and what income is in the more near term time frame and what ends up getting severely discounted. The overall average per unit for the development projects is much higher as some of these projects have completed construction.

The overall average value per unit for the Future Development in the Mountainside Tentative map is $89,497 which is considered reasonable in relationship to the land sales analyzed herein and the existing infrastructure, ski access and views available to the future development. The concluded value is 7.5 percent of the estimated revenue over the sell out period. The overall ratio of expenses to total revenues is 65.1 percent which is considered reasonable.

RECONCILIATION AND FINAL VALUE OPINION

VALUATION METHODOLOGY REVIEW AND RECONCILIATION

We have applied the Sales Comparison Approach in various forms herein as well as the Development Approach which is considered the preferred methodology for valuation of the subject parcels per CDIAC guidelines.

Value Conclusions/Assessed Values - As Is

Property Type	Real Property Interest	Date Of Value	Value Conclusions/or Assessments**
Developed Property - Residential	Fee Simple	Assessed Value***	$381,690,675
Developed Property - Non-Residential	Fee Simple	Assessed Value	$65,701,762
Future Development Property in Progress - Private	Fee Simple	6/1/2014	$15,700,000
Future Development Property in Progress - Developer	Fee Simple	6/1/2014	$26,400,000
Future Development Property - Tentative Map	Fee Simple	6/1/2014	$89,400,000
Grand Total Northstar CFD*	Fee Simple	6/1/2014	$578,892,437

Compiled by Cushman & Wakefield of Colorado, Inc.

* This is not a bulk value of the CFD. It is a sum of the individual parcel values and is presented for informational purposes only

**These values represent totals of individual parcels and do not reflect a bulk value of each category

*** Assessed values for 2014/15 as shown in the records of the Placer County Assessor for properties conveyed prior to 1/1/2014 lien date, or reported sale prices for properties conveyed subsequent to said date, or appraised value for future development.

EXPOSURE TIME

Based on our review of national investor surveys, discussions with market participants and information gathered during the sales verification process, a reasonable exposure time for the subject property at the value concluded within this report would have been approximately twelve (12) months. This assumes an active and professional marketing plan would have been employed by the current owner.

ASSUMPTIONS AND LIMITING CONDITIONS

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. The client has been granted permission to include this appraisal report as an attachment to the Preliminary Offering Statements and Offering Statements for the Special Tax Refunding Bonds mentioned herein. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.
- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.

- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
- If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- In the event of a claim against C&W or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by C&W or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.
- Unless otherwise noted, we were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
- Unless otherwise noted, we were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
- Unless otherwise noted, we were not given a wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this field.
- Unless otherwise noted, we observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.
- Unless otherwise noted, we did not inspect the roof nor did we make a detailed inspection of the mechanical systems. The appraisers are not qualified to render an opinion regarding the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

CERTIFICATION OF APPRAISAL

We certify that, to the best of our 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We 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.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice. In addition the report was prepared to comply with the California Debt and Investment Advisory Commission guidelines.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Christopher T. Donaldson, MAI, CCIM did make a personal inspection of the property that is the subject of this report.
- We have not performed prior services involving the subject property within the three-year period immediately preceding the acceptance of the assignment.
- It is noted we have performed prior appraisal services for the subject property in 2005, 2006 and 2008.
- No one provided significant real property appraisal assistance to the persons signing this report.: Christopher T. Donaldson, MAI, CCIM
- As of the date of this report, Christopher T. Donaldson, MAI, CCIM has completed the continuing education program for Designated Members of the Appraisal Institute.

Christopher T. Donaldson

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ADDENDA CONTENTS

ADDENDUM A: GLOSSARY OF TERMS & DEFINITIONS
ADDENDUM B: APPRAISERS QUALIFICATIONS

ADDENDUM A: GLOSSARY OF TERMS & DEFINITIONS

The following definitions of pertinent terms are taken from *The Dictionary of Real Estate Appraisal*, Fifth Edition (2010), published by the Appraisal Institute, Chicago, IL, as well as other sources.

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. (Proposed Interagency Appraisal and Evaluation Guidelines, OCC-4810-33-P 20%)

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.

CASH EQUIVALENCY

An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash.

DEPRECIATION

1. 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. 2. In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method.

DISPOSITION VALUE

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

- Consummation of a sale will occur within a limited future marketing period specified by the client.
- The actual market conditions currently prevailing are those to which the appraised property interest is subject.
- The buyer and seller is each acting prudently and knowledgeably.
- The seller is under compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider their best interest.
- An adequate marketing effort will be made in the limited time allowed for the completion of a sale.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- 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.

Note that this definition differs from the definition of market value. The most notable difference relates to the motivation of the seller. In the case of Disposition value, the seller would be acting under compulsion within a limited future marketing period.

ELLWOOD FORMULA

A yield capitalization method that provides a formulaic solution for developing a capitalization rate for various combinations of equity yields and mortgage terms. The formula is applicable only to properties with stable or stabilized income streams and properties with income streams expected to change according to the J- or K-factor pattern. The formula is
RO = [YE – M (YE + P 1/Sn¬ – RM) – ΔO 1/S n¬] / [1 + ΔI J]
where
RO = Overall Capitalization Rate
YE = Equity Yield Rate
M = Loan-to-Value Ratio
P = Percentage of Loan Paid Off
1/S n¬ = Sinking Fund Factor at the Equity Yield Rate
RM =Mortgage Capitalization Rate
ΔO = Change in Total Property Value
ΔI = Total Ratio Change in Income
J = J Factor
Also called mortgage-equity formula.

EXPOSURE TIME

1. The time a property remains on the market. 2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. See also marketing time.

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.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

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.

HYPOTHETICAL CONDITIONS

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.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

INSURABLE VALUE

A type of value for insurance purposes.

INTENDED USE

The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

INTENDED USER

The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment.

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 (i.e., a lease).

LEASEHOLD INTEREST

The tenant's possessory interest created by a lease. See also negative leasehold; positive leasehold.

LIQUIDATION VALUE

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

- Consummation of a sale will occur within a severely limited future marketing period specified by the client.
- The actual market conditions currently prevailing are those to which the appraised property interest is subject.
- The buyer is acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- The buyer is acting in what he or she considers his or her best interest.
- A limited marketing effort and time will be allowed for the completion of a sale.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- 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.

Note that this definition differs from the definition of market value. The most notable difference relates to the motivation of the seller. Under market value, the seller would be acting in his or her own best interests. The seller would be acting prudently and knowledgeably, assuming the price is not affected by undue stimulus or atypical motivation. In the case of liquidation value, the seller would be acting under extreme compulsion within a severely limited future marketing period.

MARKET RENT

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

MARKET VALUE

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

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

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

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. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) See also exposure time.

MORTGAGE-EQUITY ANALYSIS

Capitalization and investment analysis procedures that recognize how mortgage terms and equity requirements affect the value of income-producing property.

OPERATING EXPENSES

Other Taxes, Fees & Permits - Personal property taxes, sales taxes, utility taxes, fees and permit expenses.

Property Insurance – Coverage for loss or damage to the property caused by the perils of fire, lightning, extended coverage perils, vandalism and malicious mischief, and additional perils.

Management Fees - The sum paid for management services. Management services may be contracted for or provided by the property owner. Management expenses may include supervision, on-site offices or apartments for resident managers, telephone service, clerical help, legal or accounting services, printing and postage, and advertising. Management fees may occasionally be included among recoverable operating expenses

Total Administrative Fees – Depending on the nature of the real estate, these usually include professional fees and other general administrative expenses, such as rent of offices and the services needed to operate the property. Administrative expenses can be provided either in the following expense subcategories or in a bulk total. 1) Professional Fees – Fees paid for any professional services contracted for or incurred in property operation; or 2) Other Administrative – Any other general administrative expenses incurred in property operation.

Heating Fuel - The cost of heating fuel purchased from outside producers. The cost of heat is generally a tenant expense in single-tenant, industrial or retail properties, and apartment projects with individual heating units. It is a major expense item shown in operating statements for office buildings and many apartment properties. The fuel consumed may be coal, oil, or public steam. Heating supplies, maintenance, and workers' wages are included in this expense category under certain accounting methods.

Electricity - The cost of electricity purchased from outside producers. Although the cost of electricity for leased space is frequently a tenant expense, and therefore not included in the operating expense statement, the owner may be responsible for lighting public areas and for the power needed to run elevators and other building equipment.

Gas - The cost of gas purchased from outside producers. When used for heating and air conditioning, gas can be a major expense item that is either paid by the tenant or reflected in the rent.

Water & Sewer - The cost of water consumed, including water specially treated for the circulating ice water system, or purchased for drinking purposes. The cost of water is a major consideration for industrial plants that use processes depending on water and for multifamily projects, in which the cost of sewer service usually ties to the amount of water used. It is also an important consideration for laundries, restaurants, taverns, hotels, and similar operations.

Other Utilities - The cost of other utilities purchased from outside producers.

Total Utilities - The cost of utilities net of energy sales to stores and others. Utilities are services rendered by public and private utility companies (e.g., electricity, gas, heating fuel, water/sewer and other utilities providers). Utility expenses can be provided either in expense subcategories or in a bulk total.

[1] "Interagency Appraisal and Evaluation Guidelines." Federal Register 75:237 (December 10, 2010) p. 77472.

Repairs & Maintenance - All expenses incurred for the general repairs and maintenance of the building, including common areas and general upkeep. Repairs and maintenance expenses include elevator, HVAC, electrical and plumbing, structural/roof, and other repairs and maintenance expense items. Repairs and Maintenance expenses can be provided either in the following expense subcategories or in a bulk total. 1) Elevator - The expense of the contract and any additional expenses for elevator repairs and maintenance. This expense item may also include escalator repairs and maintenance. 2) HVAC – The expense of the contract and any additional expenses for heating, ventilation and air-conditioning systems. 3) Electrical & Plumbing - The expense of all repairs and maintenance associated with the property's electrical and plumbing systems. 4) Structural/Roof - The expense of all repairs and maintenance associated with the property's building structure and roof. 5) Pest Control – The expense of insect and rodent control. 6). Other Repairs & Maintenance - The cost of any other repairs and maintenance items not specifically included in other expense categories.

Common Area Maintenance - The common area is the total area within a property that is not designed for sale or rental, but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. Common Area Maintenance (CAM) expenses can be entered in bulk or through the sub-categories. 1) Utilities – Cost of utilities that are included in CAM charges and passed through to tenants. 2) Repair & Maintenance – Cost of repair and maintenance items that are included in CAM charges and passed through to tenants. 3) Parking Lot Maintenance – Cost of parking lot maintenance items that are included in CAM charges and passed through to tenants. 4) Snow Removal – Cost of snow removal that are included in CAM charges and passed through to tenants. 5) Grounds Maintenance – Cost of ground maintenance items that are included in CAM charges and passed through to tenants. 6) Other CAM expenses are items that are included in CAM charges and passed through to tenants.

Painting & Decorating - This expense category is relevant to residential properties where the landlord is required to prepare a dwelling unit for occupancy in between tenancies.

Cleaning & Janitorial - The expenses for building cleaning and janitorial services, for both daytime and night-time cleaning and janitorial service for tenant spaces, public areas, atriums, elevators, restrooms, windows, etc. Cleaning and Janitorial expenses can be provided either in the following subcategories or entered in a bulk total. 1) Contract Services - The expense of cleaning and janitorial services contracted for with outside service providers. 2) Supplies, Materials & Misc. - The cost any cleaning materials and any other janitorial supplies required for property cleaning and janitorial services and not covered elsewhere. 3) Trash Removal - The expense of property trash and rubbish removal and related services. Sometimes this expense item includes the cost of pest control and/or snow removal .4) Other Cleaning/Janitorial - Any other cleaning and janitorial related expenses not included in other specific expense categories.

Advertising & Promotion - Expenses related to advertising, promotion, sales, and publicity and all related printing, stationary, artwork, magazine space, broadcasting, and postage related to marketing.

Professional Fees - All professional fees associated with property leasing activities including legal, accounting, data processing, and auditing costs to the extent necessary to satisfy tenant lease requirements and permanent lender requirements.

Total Payroll - The payroll expenses for all employees involved in the ongoing operation of the property, but whose salaries and wages are not included in other expense categories. Payroll expenses can be provided either in the following subcategories or entered in a bulk total. 1) Administrative Payroll - The payroll expenses for all employees involved in on-going property administration. 2) Repair & Maintenance Payroll - The expense of all employees involved in on-going repairs and maintenance of the property. 3) Cleaning Payroll - The expense of all employees involved in providing on-going cleaning and janitorial services to the property 4) Other Payroll - The expense of any other employees involved in providing services to the property not covered in other specific categories.

Security - Expenses related to the security of the Lessees and the Property. This expense item includes payroll, contract services and other security expenses not covered in other expense categories. This item also includes the expense of maintenance of security systems such as alarms and closed circuit television (CCTV), and ordinary supplies necessary to operate a security program, including batteries, control forms, access cards, and security uniforms.

Roads & Grounds - The cost of maintaining the grounds and parking areas of the property. This expense can vary widely depending on the type of property and its total area. Landscaping improvements can range from none to extensive beds, gardens and trees. In addition, hard-surfaced public parking areas with drains, lights, and marked car spaces are subject to intensive wear and can be costly to maintain.

Other Operating Expenses - Any other expenses incurred in the operation of the property not specifically covered elsewhere.

Real Estate Taxes - The tax levied on real estate (i.e., on the land, appurtenances, improvements, structures and buildings); typically by the state, county and/or municipality in which the property is located.

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.

PROSPECTIVE VALUE UPON REACHING STABILIZED OCCUPANCY

The value of a property as of a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. At such point, all capital outlays for tenant improvements, leasing commissions, marketing costs and other carrying charges are assumed to have been incurred.

SPECIAL, UNUSUAL, OR EXTRAORDINARY ASSUMPTIONS

Before completing the acquisition of a property, a prudent purchaser in the market typically exercises due diligence by making customary enquiries about the property. It is normal for a Valuer to make assumptions as to the most likely outcome of this due diligence process and to rely on actual information regarding such matters as provided by the client. Special, unusual, or extraordinary assumptions may be any additional assumptions relating to matters covered in the due diligence process, or may relate to other issues, such as the identity of the purchaser, the physical state of the property, the presence of environmental pollutants (e.g., ground water contamination), or the ability to redevelop the property.

ADDENDUM B:
APPRAISERS QUALIFICATIONS

PROFESSIONAL QUALIFICATIONS

CHRISTOPHER T. DONALDSON, MAI, CCIM

MANAGING DIRECTOR | VALUATION & ADVISORY

CUSHMAN & WAKEFIELD OF COLORADO, INC.

Mr. Donaldson joined Cushman & Wakefield of Colorado, Inc. in 2004 as a Director for the Utah office of Valuation & Advisory. He relocated to the Denver office in 2011. Current responsibilities consist of client relations and the appraisal of real property. Prior to joining Valuation & Advisory, he was a commercial real estate appraiser for John D. Bailey & Company in Dallas, Texas from1986-1990. Employed from 1990-1991 as a Senior Review Appraiser for First Gibraltar Bank in Dallas, Texas. Employed from 1991-2004 as an appraiser and principal with Brown, Chudleigh, Schuler, Donaldson and Associates in Park City, Utah.

EXPERIENCE

Appraisal experience includes the valuation of income-producing real estate on a national basis. Types of properties appraised include master planned resort developments, conservation easements, hotels/lodging, regional malls, office buildings, shopping centers, apartments, residential and commercial subdivisions, industrial buildings, hotels, resort properties, fractional ownership projects, master planned communities, vacant land, sports and entertainment properties such as water parks, movie theaters, ski areas, and special purpose properties.

EDUCATION

- Coe College (Cedar Rapids, IA) – Graduated 1978
  - Degree: Bachelor of Arts – English

APPRAISAL EDUCATION

Mr. Donaldson has completed the requirements of the continuing education program of the Appraisal Institute, including attending numerous lectures. Original coursework included: 1A-Real Estate Appraisal Principles, 1B, (1,2, &3)-Capitalization Theory and Techniques, 2-2-Report Writing and Valuation Analysis, 2-1-Case Studies in Real Estate Valuation, 410&420-Standards of Professional Practice, Parts A & B., and seminars sponsored by the Appraisal Institute. He has attended numerous continuing education courses and seminars.

MEMBERSHIPS, LICENSES AND PROFESSIONAL AFFILIATIONS

- Designated Member, Appraisal Institute (MAI #9157)
  - As of the current date, Christopher Donaldson, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- Certified Commercial Investment Member (CCIM Designation): No. 7625

- Certified General Real Estate Appraiser in the following states:
  - Arizona – 31915
  - California – 30707
  - Colorado – CG01319868
  - Idaho – CGA-2243
  - Oregon – C000331
  - Utah – 5480025-CG00
  - Wyoming – 1239

ARIZONA

STATE OF ARIZONA

BOARD OF APPRAISAL

BE IT KNOWN THAT

CHRISTOPHER T. DONALDSON

HAS MET ALL THE REQUIREMENTS AS A

Certified General Real Estate Appraiser

In accordance with Arizona Revised Statutes and on authority of the Board of Appraisal, State of Arizona.

This registration shall remain evidence thereof unless or until the same is suspended, revoked or expires in accordance with provisions of law.

CERTIFICATE NUMBER

31915

EXPIRATION DATE

September 30, 2014

STATE OF ARIZONA DITAT DEUS BOARD OF APPRAISAL

In witness whereof the Arizona Board of Appraisal caused to be signed by the Chair of the Board and the Interim Executive Director

Chair, Board of Appraisal — 9-27-2012 — Date Issued

Margaret Burns

Interim Executive Director of the Board of Appraisal — 9-27-2012 — Date Issued

SHALL REMAIN PROPERTY OF ARIZONA BOARD OF APPRAISAL

CALIFORNIA

Business, Transportation & Housing Agency

OFFICE OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Christopher T. Donaldson

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.

OREA APPRAISER IDENTIFICATION NUMBER: AG 011161

Effective Date: May 21, 2013
Date Expires: May 20, 2015

Jim Martin, Director, OREA

3006980

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

COLORADO

STATE OF COLORADO
Department of Regulatory Agencies
Division of Real Estate

Active
Cert Gen Appraiser

PRINTED ON SECURE PAPER

1319868	Jan 1 2012	Dec 31 2014
Number	Issue Date	Expires

CHRISTOPHER T DONALDSON
Niwot, CO 80503

Program Administrator

Licensee Signature

IDAHO

Bureau of Occupational Licenses
Department of Self Governing Agencies
The person named has met the requirements for licensure and is entitled under the laws and rules of the State of Idaho to operate as a(n)

CERTIFIED GENERAL APPRAISER

CHRISTOPHER THOMAS DONALDSON
7150 CHRISTOPHER COURT
NIWOT CO 80503

Tana Cory
Tana Cory
Chief, B.O.L.

CGA-2243
Number

09/13/2014
Expires

OREGON

STATE OF OREGON 1859

Appraiser Certification and Licensure Board
State Certified General Appraiser
28 hours of continuing education required for renewal

Christopher T Donaldson
Cushman & Wakefield Inc
1050 17th ST STE 1400
Denver, CO 80265

License No. C000331
Issue Date: October 1, 2012
Expiration Date: September 30, 2014

Robert A Keith, Administrator

UTAH

STATE OF UTAH
DEPARTMENT OF COMMERCE
DIVISION OF REAL ESTATE

ACTIVE LICENSE

DATE ISSUED:	03/25/2013
EXPIRATION DATE:	04/30/2015
LICENSE NUMBER:	5480025-CG00
LICENSE TYPE:	Certified General Appraiser
ISSUED TO:	

CHRISTOPHER T DONALDSON
7150 CHRISTOPHER CT
NIWOT CO 80503

SIGNATURE OF HOLDER

REAL ESTATE DIVISION DIRECTOR

WYOMING

NON TRANSFERABLE

Permit Number 1239 STATE OF WYOMING

CERTIFIED REAL ESTATE APPRAISER PERMIT

CHRISTOPHER T DONALDSON
CERTIFIED GENERAL APPRAISER
AS PROVIDED FOR BY THE LAWS OF WYOMING.

Issued: 02/08/2013
Expires: 02/07/2015

AUTHORIZED BY THE WYOMING CERTIFIED REAL ESTATE APPRAISER BOARD WITNESS MY HAND AND THE OFFICIAL SEAL AT CHEYENNE, WYOMING.

CUSHMAN & WAKEFIELD OF COLORADO, INC.
1050 17TH STREET, #1400
DENVER, CO 80265

Loni Hillyard, Board Chair

Resort Related Development – Ski and Golf, or both

- Northstar at Tahoe Master Planned Development – Truckee, CA
- Chateau at Heavenly Condominium Hotel – South Tahoe, CA
- Old Greenwood, Truckee, CA
- Gray's Crossing, Truckee, CA
- Battle Mountain, Proposed private ski area, Minturn, CO
- Yellowstone Club, Big Sky, MT
- Spanish Peaks Lodge, Big Sky, MT
- Moonlight Basin, Big Sky, MT (including ski & golf operations)
- Dancing Bear Fractional, Aspen, CO
- Snowmass Base Village Redevelopment, Snowmass, CO
- Elevation Hotel & Condominiums, Crested Butte, CO
- Brighton Development, Gypsum, CO
- Montage Hotel & Condominiums, Deer Valley, UT
- Ironwood Townhomes, Deer Valley, UT
- The Canyons Resort, (including ski operations) Park City, UT
- Escala, Sunrise at Escala & Silverado Condominiums, The Canyons, Park City, UT
- Tamarack Resort & Village, (including ski and golf operations) Tamarack, ID
- Mt. Holly Proposed Private Ski & Golf, (including ski operations) Beaver, UT
- Bristlecone Condominiums, Brian Head, UT
- Dunton Hot Springs Resort & Spa, Dolores, CO
- Park Avenue Redevelopment, Heavenly Gondola etc, South Tahoe, CA
- 323 Residences, Zephyr Cove, NV
- Homewood Resort Proposed Redevelopment, Homewood, CA
- Alpine Meadows ski area, Tahoe City, CA
- Appraisal Review and Consulting on ski operations at Brighton Ski Resort-UT, Northstar at Tahoe-CA, Snoqualmie-WA, Sierra at Tahoe-CA, and Loon Mountain-NH

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APPENDIX C

GENERAL INFORMATION CONCERNING PLACER COUNTY

The District encompasses the entire Northstar resort area, as well as unincorporated areas of Placer County (the "County"). The following economic data for the County and the State of California (the "State") are presented for information purposes only. The Bonds are not a debt or obligation of the County or the State.

General

Northstar California (previously Northstar-at-Tahoe) is a mountain resort situated near the north shore of Lake Tahoe in Placer County, California, approximately 200 miles from the San Francisco Bay Area. The 3,170 acre resort features 2,280 ft. vertical drop downhill terrain accessed by 20 lifts, a snowmaking system, a cross-country center, a village, on-site lodging and summer activities including an 18-hole golf course and a lift-served mountain bike park.

Northstar was a former lumber site once owned by the Douglas Lumber Co of Truckee, CA and was acquired by Fibreboard when they purchased Douglas in 1967. Its original name was Timber Farm, but was changed to Northstar-at-Tahoe when the mountain opened in December of 1972. In 2007, CNL Lifestyle Properties acquired Northstar, which since 2010 has been operated under a triple-net lease by Vail Resorts. Vail Resorts also owns Heavenly Ski Resort at Lake Tahoe, Kirkwood Mountain Resort in the Lake Tahoe area, four ski resorts in Colorado (Vail, Breckenridge, Keystone, and Beaver Creek), and other ski resorts.

The County has an estimated area of 1,506 square miles. The County is bordered by the State of Nevada on the east, Nevada County on the north, Yuba and Sutter County on the west and by Sacramento and El Dorado Counties on the south, and is included in the four-county Sacramento Metropolitan Statistical Area. There are six incorporated cities in the County, with Auburn as the County seat. The communities of Roseville, Rocklin and Lincoln, in the southeastern Valley area of Placer County, and the city of Auburn in the central Gold County area of the County, comprise the County's principal population centers. The County's diverse economy and geography encompasses the California side of North Lake Tahoe, where tourism is the primary economic activity, and South Placer in the Sacramento metropolitan area, where the technology sector is the leading employer. The County has a large winter tourist industry with nine ski resorts and a wide variety of summer activities.

Population

The following table summarizes population estimates for the County and State from 2001 through 2014.

POPULATION ESTIMATES
THE COUNTY OF PLACER AND STATE OF CALIFORNIA
2001-2014

Year[(1)]	***Placer County***[(2)(3)]	***State of California***[(2)(3)]
2001	258,293	34,256,789
2002	270,845	34,725,516
2003	283,703	35,163,609
2004	296,712	35,570,847
2005	307,710	35,869,173
2006	317,437	36,116,202
2007	325,985	36,399,676
2008	333,805	36,704,375
2009	340,995	36,966,713
2010	347,133	37,223,900
2011	351,463	37,427,946
2012	355,449	37,668,804
2013	360,802	37,984,138
2014	366,115	38,340,074

(1) January 1 estimate.
(2) Population Estimates for 2001-2010 with 2000 and 2010 Census Counts.
(3) Population Estimates for 2011-2014 with 2010 Benchmark
Source: California State Department of Finance, Demographic Research Unit.

Employment

The following table summarizes the annual labor force, employment and unemployment figures for 2008- 2013 for the County, the State and the nation as a whole.

COUNTY OF PLACER,
STATE OF CALIFORNIA AND UNITED STATES
AVERAGE ANNUAL CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT

Year and Area	*Labor Force*	*Employment*(1)	*Unemployment*(2)	*Unemployment Rate (%)*(3)
2008				
Placer County	177,300	165,900	11,400	6.4
California	18,207,300	16,893,900	1,313,500	7.2
United States(4)	154,287,000	145,362,000	8,924,000	5.8
2009				
Placer County	179,800	161,100	18,700	10.4
California	18,220,100	16,155,000	2,065,100	11.3
United States(4)	154,142,000	139,877,000	14,265,000	9.3
2010				
Placer County	177,400	157,100	20,300	11.4
California	18,336,300	16,068,400	2,267,900	12.4
United States(4)	153,889,000	139,064,000	14,825,000	9.6
2011				
Placer County	178,500	159,400	19,200	10.7
State of California	18,417,900	16,249,600	2,168,300	11.8
United States(4)	153,617,000	139,869,000	13,747,000	8.9
2012				
Placer County	180,100	163,200	16,800	9.3%
State of California	18,519,000	16,589,700	1,929,300	10.4
United States(4)	154,975,000	142,469,000	12,506,000	8.1
2013				
Placer County	179,200	165,600	13,600	7.6%
State of California	18,596,800	16,933,300	1,663,500	8.9
United States(4)	155,389,000	143,929,000	11,460,000	7.4

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
(4) Not strictly comparable with data for prior years.

Source: California Employment Development Department, March 2013 Benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

Personal Income

The following tables summarize personal income and per capita income for the County, State of California and United States from 2005 through 2013.

PERSONAL INCOME
THE COUNTY OF PLACER, STATE OF CALIFORNIA AND UNITED STATES
2005-2013

Year	*Placer County*	*California*	*United States*
2005	$14,027,192	$1,396,173,422	$10,605,645,000
2006	15,234,777	1,499,451,517	11,376,460,000
2007	15,955,562	1,564,440,661	11,990,244,000
2008	16,670,183	1,596,281,897	12,429,284,000
2009	16,085,139	1,536,429,610	12,073,738,000
2010	16,725,085	1,579,148,473	12,423,332,000
2011	17,932,119	1,683,203,700	13,179,561,000
2012	19,004,105	1,768,039,281	13,729,063,000
2013	not available	1,817,010,275	14,081,242,380

Note: Dollars in Thousands.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PER CAPITA PERSONAL INCOME[(1)]
THE COUNTY OF PLACER, STATE OF CALIFORNIA AND UNITED STATES
2005-2013

Year	*Placer County*	*California*	*United States*
2005	$44,849	$38,969	$35,888
2006	47,323	41,627	38,127
2007	48,494	43,157	39,804
2008	49,383	43,609	40,873
2009	46,785	41,569	39,357
2010	47,758	42,297	40,163
2011	50,215	44,666	42,298
2012	52,544	46,477	43,735
2013	not available	47,401	44,543

(1) Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Industry

The following table summarizes the average annual industry employment in Placer County from 2009 through 2013.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES
PLACER COUNTY
2009-2013

Type of Employment	*2009*	*2010*	*2011*	*2012*	*2013*
Total Farm	300	300	400	300	400
Mining & Logging	100	100	0	0	0
Construction	9,200	8,400	8,100	8,600	9,700
Manufacturing	7,000	6,600	6,600	6,300	6,200
Transportation, Warehousing & Utilities	3,000	3,000	2,800	2,900	3,100
Wholesale Trade	4,000	3,700	3,700	4,100	4,100
Retail Trade	19,000	19,300	19,800	20,500	21,400
Information	2,500	2,500	2,300	2,300	2,200
Financial Activities	10,000	9,700	9,700	10,300	11,200
Professional and Business Services	12,800	13,000	13,300	13,900	15,000
Education and Health Services	18,100	19,100	20,200	21,400	23,000
Leisure and Hospitality	18,000	18,100	18,500	19,000	20,000
Other Services	4,700	4,500	4,700	5,100	5,500
Government	18,700	18,900	18,200	18,700	19,100
Total, All Industries	127,300	127,200	128,300	133,500	140,700

Note: Items may not add to total due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division. March 2013 Benchmark.

Largest Employers

The following tables identify the largest employers in the County.

LARGEST EMPLOYERS
PLACER COUNTY
2013

Rank #	*Name of Business*	*No. of Placer County Employees*[(1)]	*Type of Business*
1	Kaiser Permanente	3,860	Health care
2	Hewlett-Packard Co.	3,200[(1)]	Research and design of information technology products
3	Sutter Health	2,299	Health care
4	Placer County	2,240	Government
5	Thunder Valley Casino Resort	2,000	Casino resort
6	Union Pacific Railroad Co. Inc.	2,000	Transportation, goods movement
7	Northstar California	1,950 peak season	Ski resort
8	Rocklin Unified School District	1,140	Education
9	Pride Industries	1,101	Manufacturing and logistics services, integrated facilities services, rehabilitation services
10	City of Roseville	982 plus 738 peak season temps	Municipal government
11	Raley's Inc.	969[(2)]	Retail grocery
12	State of California	827 plus 15 part-time employees	Government
13	Wells Fargo & Co.	816	Financial services
14	Roseville City School District	798	Education
15	Placer County Office of Education	789	Education
16	Oracle Corp.	770[(1)]	Software development
17	United Natural Foods Inc.	650	Organic and natural food distribution center
18	Western Placer Unified School District	600	Education
19	Pacific Gas & Electric Co.	596	Electric and natural gas utility
20	Adventist Health System/West, dba Adventist Health	588	Health care system

(1) Estimate.
(2) Includes full-time and part-time employees.
Source: Sacramento Business Journal, Book of Lists 2013.

Commercial Activity

The following tables summarize recent taxable sales within the County.

TAXABLE SALES
PLACER COUNTY
(DOLLARS IN THOUSANDS)
2005-2012

Year	*Retail and Food Permits*	*Retail and Food Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2005	5,055	$5,539,337	11,488	$7,232,568
2006	5,218	5,710,898	11,623	7,531,225
2007	5,065	5,553,447	11,676	7,431,405
2008	5,841	5,009,849	12,104	6,634,810
2009	7,819	4,453,186	11,135	5,796,644
2010	8,110	4,678,785	11,439	6,017,542
2011	7,803	5,112,781	11,120	6,568,195
2012	8,272	5,613,981	11,621	7,065,597
2013(1)	8,159	1,396,703	11,394	1,772,264

Note: In 2009, retail permits expanded to include permits for food services.
(1) Figures for first quarter of 2013 only.
Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

Construction Activity

The following tables identify the number of new building permits and valuations in the County.

BUILDING PERMITS AND VALUATIONS
PLACER COUNTY
2008-2013
VALUATION ($000)

	2008	*2009*	*2010*	*2011*	*2012*	*2013*
Residential	$ 442,769	$ 324,704	$ 334,235	$ 288,508	$ 478,461	$ 435,723
Non-Residential	299,505	113,576	108,644	119,656	86,756	140,512
TOTAL(1)	$ 742,274	$ 438,281	$ 442,879	$ 408,164	$ 565,217	$ 576,235
New Dwelling Units						
Single Family	1,330	1,056	1,090	802	1,209	1,249
Multiple Family	383	259	79	28	111	227
TOTAL(1)	1,713	1,315	1,169	830	1,320	1,476

(1) Columns may not add to totals due to rounding.
Source: Construction Industry Research Board.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE

Certain provisions of the Trust Indenture (the "Indenture") that have not been previously discussed in this Official Statement are summarized below. These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the full terms of the Indenture. Purchasers of the Bonds are referred to the complete text of the Indenture, copies of which are available upon written request from the District.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the following meanings for purposes of the Indenture:

"*Act*" means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 *et seq.* of the California Government Code.

"*Administrative Expenses*" means the administrative costs incurred by the District or the NCSD on behalf of the District with respect to the calculation, levy, and collection of the Special Taxes, including all attorneys' fees and other costs related thereto, the fees and expenses of the Trustee, any fees for credit enhancement for the Bonds which are not otherwise paid as Costs of Issuance, any costs related to the District's compliance with State and federal laws requiring continuing disclosure of information concerning the Bonds and the District and arbitrage rebate, and any other costs otherwise incurred by the District or the NCSD on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and any obligation of the District under the Indenture.

"*Administrative Expense Account*" means the account by such name in the Special Tax Fund created and established pursuant to the Indenture.

"*Administrative Expense Cap*" means the amount of $25,500 with such amount escalating by 2% per Bond Year beginning September 2, 2006, provided that the District may, in its sole discretion, fund Administrative Expenses, without limitation, from any other funds available to the District, including the Surplus Fund.

"*Alternative Penalty Account*" means the account by such name created and established in the Rebate Fund pursuant to the Indenture.

"*Annual Debt Service*" means the principal amount of any Outstanding Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds in such Bond Year, if the Bonds are retired as scheduled.

"*Authorized Investments*" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America ("Direct Obligations");

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(i) U.S. Export-Import Bank (“Eximbank”) - direct obligations or fully guaranteed certificates of beneficial ownership,

(ii) Farmers Home Administration (“FmHA”) - certificates of beneficial ownership,

(iii) Federal Financing Bank,

(iv) Federal Housing Administration Debentures (“FHA”),

(v) General Services Administration - participation certificates,

(vi) Government National Mortgage Association (“GNMA” or “Ginnie Mae”) - GNMA-guaranteed mortgage-backed bonds and GNMA-guaranteed pass-through obligations,

(vii) U.S. Maritime Administration - guaranteed Title XI financing, and

(viii) U.S. Department of Housing and Urban Development (“HUD”) - project notes, local authority bonds, new communities debentures (U.S. government guaranteed debentures), and U.S. Public Housing Notes and Bonds (U.S. government guaranteed public housing notes and bonds);

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System - senior debt obligations,

(ii) Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”) - participation certificates and senior debt obligations,

(iii) Federal National Mortgage Association (“FNMA” or “Fannie Mae”) - mortgage-backed securities and senior debt obligations,

(iv) Student Loan Marketing Association (“SLMA” or “Sallie Mae”) - senior debt obligations,

(v) Resolution Funding Corp. (“REFCORP”) obligations, and

(vi) Farm Credit System Corp. - Consolidated system-wide bonds and notes;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by Standard & Poor’s of AAAm-G, AAAm or AAm, and, if rated by Moody’s, rated Aaa, Aa1 or Aa2 (including those of the Trustee and its affiliates or funds for which the Trustee or affiliates provide investment advisory or other management services);

(e) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Trustee on behalf of the Bondholders must have a perfected first security interest in the collateral;

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC or which are with a bank rated AA or better by Standard & Poor's and Aa or better by Moody's (including those of the Trustee and its affiliates);

(g) Investment Agreements with any corporation, including banking or financial institutions, provided that:

(i) the long-term debt of the provider of any such investment agreement, or in the case of a guaranteed corporation the long-term debt of the guarantor, or in the case of a monoline financial guaranty insurance company the claims paying ability, is rated, at the time of investment, in one of the two highest rating categories offered by each Rating Agency (without regard to gradations of plus or minus, or numerical gradations, within such category), and

(ii) any such investment agreement shall include a provisions that in the event that the long-term debt rating or claims paying ability rating of the provider or the guarantor is downgraded below AA- by Standard & Poor's or Aa3 by Moody's during the term of the agreement the provider must either (A) deliver to the Trustee or a third party custodian collateral in the form of Unites States Treasury or agency obligations which at least equal 102% of the principal amount invested under the Indenture or (B) assign the existing agreement and all of its obligations under the Indenture to a financial institution mutually acceptable to the provider, the District and the Trustee which is rated in one of the two highest rating categories offered by each Rating Agency (without regard to gradations of plus or minus, or numerical gradations, within such category), and

(iii) any such investment agreement shall include a provision that in the event that the long-term debt rating or claims paying ability rating of the provider, or the guarantor, is downgraded below A- by Standard & Poor's or A3 by Moody's during the term of the agreement the provider must repay the principal of and accrued by it unpaid interest on the invested moneys, and

(iv) any such agreement shall include a provision to the effect that in the event of default under such Investment Agreement by such provider or in the event of a bankruptcy of such provider, the District has the right to withdraw or cause the Trustee to withdraw all funds invested in such agreement and thereafter to invest such funds pursuant to the Indenture, and

(v) any such investment agreement permits withdrawal upon not more than three (3) days notice (excepting only withdrawals from the Acquisition and Construction Fund, from which withdrawals may be permitted upon not more than seven (7) days notice) for any purpose authorized for the use of the invested funds under the Indenture;

(h) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by Standard & Poor's;

(i) Bonds or notes issued by any state or municipality which are rated by both Rating Agencies in one of the two highest rating categories assigned by such agencies;

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured or unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by Standard & Poor's;

(k) Repurchase agreements collateralized by Direct Obligations, GNMAs, FNMAs or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's, and "A-1" or "A-" by Standard & Poor's; provided:

(i) a master repurchase agreement or specific written repurchase agreement governs the transaction, and

(ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million, or (iii) a bank approved in writing for such purpose by the District, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, and

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 *et seq*. or 31 C.F.R. 350.0 *et seq*. in such securities is created for the benefit of the Trustee, and

(iv) the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation, and

(v) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%;

(l) The State of California Local Agency Investment Fund; and

(m) Any other investment which the District is permitted by law to make.

To the extent that any of the requirements concerning Authorized Investments embodies a legal conclusion, the Trustee shall be entitled to conclusively rely upon a certificate from the appropriate party or an opinion from counsel to such party, that such requirement has been met.

"*Authorized Representative of the District*" means the General Manager of the NCSD, the Assistant General Manager of the NCSD, the Treasurer of the NCSD and any other person or persons designated by the legislative body of the District and authorized to act on behalf of the District by a written certificate signed by the President of the legislative body of the District and containing the specimen signature of each such person.

"*Board of Directors*" means the Board of Directories of the NCSD.

"*Bond Counsel*" means an attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

"*Bond Register*" means the books which the Trustee shall keep or cause to be kept on which the registration and transfer of the Bonds shall be recorded.

"*Bondowner*" or "*Owner*" means the person or persons in whose name or names any Bond is registered.

"*Bond Year*" means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds shall begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date, provided that for purposes of the Indenture relating to the calculation of arbitrage rebate amounts "Bond Year" shall have the meaning ascribed thereto in the Tax Certificate.

“*Business Day*” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the Principal Office of the Trustee is located, are not required or authorized to remain closed.

“*Certificate of the General Manager*” means a written certificate or warrant request executed by the General Manager, or his or her written designee, on behalf of the District.

“*Code*” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“*Costs of Issuance*” means the costs and expenses incurred in connection with the issuance and sale of the Bonds, including the acceptance and initial annual fees and expenses of the Trustee, legal fees and expenses, costs of printing the Bonds and the preliminary and final official statements for the Bonds, fees of financial consultants, and all other related fees and expenses, as set forth in a Certificate of the General Manager.

“*Costs of Issuance Fund*” means the Account by that name created and established in the Acquisition and Construction Fund pursuant to the Indenture.

“*Delivery Date*” means, the date on which the Bonds were issued and delivered to the initial purchasers thereof.

“*District*” means Northstar Community Services District Community Facilities District No. 1 established pursuant to the Act and the Resolution of Formation.

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

“*DTC Participants*” means securities brokers and dealers, banks, trust companies, clearing corporations and other organizations maintaining accounts with DTC.

“*Federal Securities*” means any of the following:

(a) Cash,

(b) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series — “SLGS”),

(c) Direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself, *e.g.*, CATS, TIGRS and similar securities,

(d) The interest component of Resolution Funding Corp. strips which have been stripped by request to the Federal Reserve Bank of New York and are in book-entry form,

(e) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s,

(f) Obligations issued by the following agencies which are backed by the full faith and credit of the United States:

(i) U.S. Export-Import Bank - direct obligations or fully guaranteed certificates of beneficial ownership,

(ii) Farmers Home Administration - certificates of beneficial ownership,

(iii) Federal Financing Bank,

(iv) General Services Administration - participation certificates,

(v) U.S. Maritime Administration - guaranteed Title XI financing, and

(vi) U.S. Department of Housing and Urban Development (HUD) - project notes, local authority bonds, new communities debentures - U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

"*Escrow Agreement*" means the Escrow Agreement, dated as of July 1, 2014, by and between the Community Facilities District and the Escrow Bank.

"*Escrow Bank*" means Wells Fargo Bank, National Association.

"*Escrow Fund*" means the fund established and so designated pursuant to the Escrow Agreement

"*Fiscal Year*" means the period beginning on July 1 of each year and ending on the next following June 30.

"General Manager" means the General Manager of the NCSD.

"*Gross Taxes*" means the amount of all Special Taxes received by the District, together with the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture for the delinquency of such Special Taxes remaining after the payment of all the costs related to such foreclosure actions, including, but not limited to, all legal fees and expenses, court costs, consultant and title insurance fees and expenses.

"*Independent Financial Consultant*" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom:

(a) is in fact independent and not under the domination of the District or the NCSD;

(b) does not have any substantial interest, direct or indirect, in the District or the NCSD; and

(c) is not connected with the District or the NCSD as a member, officer or employee of the District or the NCSD, but who may be regularly retained to make annual or other reports to the District or the NCSD.

"*Indenture*" means the Trust Indenture, together with any Supplemental Indenture entered into pursuant to Article VI.

"*Interest Account*" means the account by such name created and established in the Special Tax Fund pursuant to the Indenture.

"*Interest Payment Date*" means each March 1 and September 1, commencing September 1, 2014; *provided, however*, that, if any such day is not a Business Day, interest up to, but not including, the Interest Payment Date will be paid on the Business Day next following such date.

"*Investment Agreement*" means one or more agreements for the investment of funds of the District complying with the criteria therefor as set forth in subsection (g) of the definition of Authorized Investments.

"*Maximum Annual Debt Service*" means the maximum amount of the Annual Debt Service for any Bond Year prior to the final maturity of the Bonds.

"*Moody's*" means Moody's Investors Service, and its successors and assigns.

"*Net Taxes*" means for each Fiscal Year, Gross Taxes (exclusive of any penalties and interest accruing with respect to delinquent Special Tax installments) minus amounts (not in excess of the then current Administrative Expense Cap) set aside to pay Administrative Expenses and minus the portion of any Prepayment that not required to be deposited in the Special Tax Fund pursuant to the Indenture.

"NCSD" means the Northstar Community Services District.

"*Outstanding*" or "*Outstanding Bonds*" means all Bonds theretofore issued by the District, except:

(a) Bonds theretofore cancelled or surrendered for cancellation in accordance with the Indenture;

(b) Bonds for payment or redemption of which moneys shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture; and

(c) Bonds which have been surrendered to the Trustee for transfer or exchange or for which a replacement has been issued.

"*Person*" means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

"*Prepayment*" means money received by the NCSD or the District as a complete or partial prepayment of Special Taxes permitted pursuant to the RMA.

"*Prepayment Account*" means the Account by such name created and established in the Special Tax Fund pursuant to the Indenture.

"*Principal Account*" means the Account by such name created and established in the Special Tax Fund pursuant to the Indenture.

"*Principal Office of the Trustee*" means the office of the Trustee located in Los Angeles, California or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

"*Prior Bonds*" means, collectively, the District's outstanding Special Tax Bonds, Series 2005 and the District's outstanding Special Tax Bonds, Series 2006.

"*Prior Indenture*" means Trust Indenture, dated as of November 1, 2005, by and between the Community Facilities District and the Prior Trustee, as supplemented by a First Supplemental Trust Indenture, dated as of December 1, 2006, by and between the Community Facilities District and the Prior Trustee.

"*Prior Trustee*" means Wells Fargo Bank, National Association, in its capacity as trustee under the Prior Indenture.

"*Rating Agency*" means either Moody's or Standard & Poor's, or both, as the context requires.

“*Rebate Account*” means the Account by such name created and established in the Rebate Fund pursuant to the Indenture.

“*Rebate Fund*” means the fund by such name created and established pursuant to the Indenture.

“*Rebate Regulations*” means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

“*Record Date*” means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

“*Redemption Account*” means the account by such name created and established in the Special Tax Fund pursuant to the Indenture.

“*Regulations*” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

“*Representation Letter*” means the representation letter or letters from the District to DTC.

“*Reserve Account*” means the account by such name created and established in the Special Tax Fund pursuant to the Indenture.

“*Reserve Requirement*” means, as of any date of calculation by the District, an amount equal to the lowest of (i) 10% of the principal amount of the Bonds, as calculated pursuant to the Regulations, or (ii) Maximum Annual Debt Service, or (iii) 125% of the average Annual Debt Service.

“*Resolution of Formation*” means the resolution adopted by the Board of Directors of the NCSD on May 3, 2005, pursuant to which the NCSD formed the District.

“*RMA*” means the Amended Rate and Method of Apportionment of Special Taxes approved by the qualified electors of the District at an election conducted on May 24, 2011, a copy of which is attached to the Official Statement as Exhibit A.

“*Sinking Fund Payment*” means the annual payment in those years indicated in the Indenture to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedule set forth in the Indenture to retire the Term Bonds.

“*Six-Month Period*” means the period of time beginning on the Delivery Date of each issue of Bonds, and ending six consecutive months thereafter, and each six-month period thereafter until the latest maturity date of the Bonds (and any obligations that refund an issue of the Bonds).

“*Special Tax Administrator*” means such person or firm as may be designated by the Board of Directors to administer the calculation and collection of the Special Taxes, or any successor person or entity acting in such capacity.

“*Special Taxes*” means the taxes authorized to be levied by the District in accordance with the RMA, as the RMA may be amended from time to time (if and to the extent such amendment is consistent with the covenant set forth in the Indenture).

“*Special Tax Fund*” means the fund by such name created and established pursuant to the Indenture.

“*Standard & Poor’s*” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business and division of McGraw-Hill, and its successors and assigns.

"*Supplemental Indenture*" means any supplemental indenture entered into in accordance with the provisions of the Indenture amending or supplementing the Indenture.

"*Surplus Fund*" means the Fund by such name created and established pursuant to the Indenture.

"*Tax Certificate*" means the certificate by that name to be executed by the District on the Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

"*Term Bonds*" means the Bonds maturing September 1, 20__, September 1, 202__ and September 1, 2033.

"*Trustee*" means Wells Fargo Bank, a banking corporation organized and existing under the laws of the United States, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture and any successor thereto.

"*2014 Bonds*" means the District's $19,320,000 Special Tax Refunding Bonds, Series 2014 issued pursuant to the Indenture.

"*Underwriter*" means the institution or institutions, if any, with whom the District enters into a purchase contract for the sale of the Bonds.

CREATION OF FUNDS AND APPLICATION OF REVENUES AND GROSS TAXES

Creation of Funds; Application of Proceeds. The Indenture creates and establishes and requires that the Trustee maintain the following funds and accounts:

(i) the Northstar Community Services District Community Facilities District No. 1 Special Tax Fund (the "Special Tax Fund") (in which there shall be established and created an Interest Account, a Principal Account, a Redemption Account, a Prepayment Account, a Reserve Account and an Administrative Expense Account);

(ii) the Northstar Community Services District Community Facilities District No. Costs of Issuance Fund (the "Costs of Issuance Fund");

(iii) the Northstar Community Services District Community Facilities District No. 1 Rebate Fund (the "Rebate Fund") (in which there shall be established a Rebate Account and an Alternative Penalty Account); and

(iv) the Northstar Community Services District Community Facilities District No. 1 Surplus Fund (the "Surplus Fund").

The amounts on deposit in the foregoing funds and accounts shall be held by the Trustee; and the Trustee shall invest and disburse the amounts in such funds and accounts in accordance with the provisions of the Indenture.

Deposits to and Disbursements from Special Tax Fund. The Trustee shall, on each date on which the Special Taxes are received from the NCSD or the District, deposit the Special Taxes in the Special Tax Fund in accordance with the terms of the Indenture to be held by the Trustee, provided that any Prepayment shall be deposited in the funds and accounts (and in the respective amounts) specified in the certificate of the Special Tax Administrator delivered to the Trustee in connection with the delivery of the Prepayment to the Trustee. The Trustee shall transfer the amounts on deposit in the Special Tax Fund on the dates and in the amounts set forth below, in the following order of priority, to: the Administrative Expense Account, the Interest Account, the Principal Account, the Redemption Account, the Reserve Account, the Rebate Fund, and the Surplus Fund.

At the maturity of all of the Bonds and, after all principal and interest then due on the Bonds then Outstanding has been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

Administrative Expense Account of the Special Tax Fund. In addition to the amount deposited in the Administrative Expense Account pursuant to the Indenture, the Trustee shall, commencing in Fiscal Year 2005-2006, not less often than annually transfer from the Special Tax Fund and deposit in the Administrative Expense Account from time to time amounts necessary to make timely payment of Administrative Expenses upon the written direction of the District; provided, however, that the total amount of the transfers from the Special Tax Fund into the Administrative Expense Account in any Bond Year shall not exceed the Administrative Expense Cap until such time as (i) there has been deposited in the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds due in such Bond Year and (ii) there has been deposited in the Reserve Account the amount, if any, required in order to cause the amount on deposit therein to equal the Reserve Requirement. In addition to the foregoing, the Trustee shall also deposit in the Administrative Expense Account the portion of any Prepayment directed to be deposited in the certificate of the Special Tax Administrator delivered to the Trustee in connection with such Prepayment.

Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds until maturity, other than principal due upon redemption, shall be paid by the Trustee from the Principal Account and the Interest Account, respectively. For the purpose of assuring that the payment of principal of and interest on the Bonds will be made when due, the Trustee shall make the transfers described below from the Special Tax Fund on each Interest Payment Date first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers then any deficiency shall be made up by an immediate transfer from the Reserve Account:

To the Interest Account, an amount such that the balance in the Interest Account shall be equal to the installment of interest due on the Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same become due.

To the Principal Account, an amount such that the balance in the Principal Account on September 1 of each year, shall equal the sum of (i) the principal payment due on the Bonds maturing on such September 1, (ii) the Sinking Fund Payment due on any Outstanding Bonds on such September 1, and (iii) any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds as the same become due at maturity or pursuant to the Sinking Fund Payment schedules set forth in the Indenture and in any Supplemental Indenture.

In addition to the transfers to the Interest Account and Principal Account described in the first paragraph of this caption, the Trustee shall also transfer thereto such portions of a Prepayment as may be directed to be so transferred in the certificate of the Special Tax Administrator delivered to the Trustee in connection with the Prepayment.

Redemption Account of the Special Tax Fund. After making the deposits to the Interest Account and the Principal Account of the Special Tax Fund described above, and in accordance with the District's election to call Bonds for optional redemption, the Trustee shall transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expense Account therein) may be so deposited in the Redemption Account and applied to optionally redeem Bonds only if immediately following such transfer and redemption the amount in the Reserve Account will equal the Reserve Requirement. The Trustee shall deposit in the Redemption Account moneys other than Special Taxes in the amounts and at the times directed in writing by an Authorized Representative of the District.

Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming Bonds and shall be applied on or after the redemption date to the payment of the principal of and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account as set forth above may be used to purchase Outstanding Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption, the premium applicable at the next following call date. Any accrued interest payable upon the purchase of Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Prepayment Account of the Special Tax Fund. The Trustee shall deposit in the Prepayment Account the portion of each Prepayment directed to be so deposited in the certificate of the Special Tax Administrator delivered to the Trustee in connection with the delivery of such Prepayment. On each date on which Bonds are to be redeemed from moneys on deposit in the Prepayment Account, the Trustee shall withdraw from the Reserve Account and deposit in the Prepayment Account the amount, if any, directed to be so withdrawn and deposited in the certificate of the Special Tax Administrator delivered to the Trustee in connection with the Prepayment giving rise to such redemption.

Moneys set aside in the Prepayment Account shall be used solely for the purpose of redeeming Bonds shall be applied on or after the redemption date to the payment of the principal of and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Prepayment Account as set forth above may be used to purchase Outstanding Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus the premium applicable at the next following call date. Any accrued interest payable upon the purchase of Bonds may be paid from the amount reserved in the Interest Account for the payment of interest on such Bonds on the next following Interest Payment Date.

Reserve Account of the Special Tax Fund. There shall be maintained in the Reserve Account an amount equal to the Reserve Requirement. Notwithstanding any provision of the Indenture to the contrary, the amounts in the Reserve Account shall be applied as follows:

Moneys in the Reserve Account shall be used solely for the purpose of (i) paying the principal of, including Sinking Fund Payments, and interest on any Bonds when due in the event that the moneys in the Interest Account and the Principal Account are insufficient therefor, (ii) making any required transfer to the Rebate Fund upon written direction from the District, and (iii) making any required transfer to the Prepayment Account. If the amounts in the Interest Account or the Principal Account are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee shall withdraw from the Reserve Account for deposit in the Interest Account or the Principal Account or the Rebate Fund, as applicable, moneys necessary for such purposes.

Whenever moneys are withdrawn from the Reserve Account, after making the required transfers referred to in the Indenture, the Trustee shall transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Interest Account or the Principal Account for the next succeeding Interest Payment Date. If amounts in the Special Tax Fund or otherwise transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the District shall include the amount necessary fully to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates and to the extent permitted by the Act.

In connection with an optional redemption of the Bonds under the Indenture a partial defeasance of the Bonds, amounts in the Reserve Account may be applied to such optional redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such optional redemption or partial defeasance equals the Reserve Requirement.

To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for Outstanding Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds in such final Bond Year. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the preceding provisions of this paragraph shall be withdrawn from the Reserve Account on each Interest Payment Date and transferred to the Interest Account.

Rebate Fund. The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund and shall establish a separate Rebate Account and Alternative Penalty Account therein. All money at any time deposited in the Rebate Account or the Alternative Penalty Account of the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund with respect to the Bonds shall be governed by the Indenture and the Tax Certificate for such issue, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on such Bonds will not be adversely affected if such requirements are not satisfied.

Surplus Fund. After making the transfers required by of the Indenture, as soon as practicable after each September 1, and in any event prior to each October 1, the Trustee shall transfer all remaining amounts in the Special Tax Fund, if any, to the Surplus Fund, other than amounts in the Special Tax Fund which the District has deemed available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year. Moneys deposited in the Surplus Fund may be transferred by the Trustee, (i) to the Interest Account or the Principal Account to pay the principal of, including Sinking Fund Payments, and interest on the Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account are insufficient therefor, (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement, and (iii) to the Administrative Expense Account to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account are insufficient to pay Administrative Expenses. In the event unexpended amounts remain on deposit in the Surplus Fund after the foregoing transfers, if any, the District shall apply such unexpended amounts to, in its sole discretion, either (i) pay Project Costs, (ii) to reduce the next fiscal year's Special Tax levy by depositing such amount in the Special Tax Fund, or (iii) for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds, upon the written direction of the District, the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund shall be invested in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a yield not in excess of the yield on the Bonds, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Cost of Issuance Fund. The moneys in the Costs of Issuance Fund shall be applied exclusively to pay the Costs of Issuance. Amounts for Costs of Issuance shall be disbursed by the Trustee from the Costs of Issuance Fund pursuant to a requisition signed by an Authorized Representative of the District, which must be submitted in connection with each requested disbursement.

Investments. Moneys held in any of the funds, accounts and subaccounts under the Indenture shall be invested at the written direction of an Authorized Representative of the District in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such funds, accounts and subaccounts. Any investment earnings, gains or losses resulting from such Authorized Investments shall be credited or charged to the fund, account or subaccount from which such investment was made. Moneys in the funds, accounts and subaccounts held under the Indenture may be invested by the Trustee on the written direction of the District, from time to time, in Authorized Investments subject to the following restrictions:

Moneys in the Interest Account, the Principal Account and the Redemption Account shall be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds as the same become due.

One-half of the amount in the Reserve Account may be invested only in Authorized Investments which mature not later than two years from their date of purchase, and one-half of the amount in the Reserve Account may be invested only in Authorized Investments which mature not more than five years from the date of purchase; provided that such amounts may be invested in an Investment Agreement to the final maturity of Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with the Indenture; and provided that no such Authorized Investment of amounts in the Reserve Account allocable to the Bonds shall mature later than the final maturity date of the Bonds. Amounts in the Reserve Fund on the Delivery Date for the Bonds shall not be invested at yields greater than those set forth in the Tax Certificate.

Moneys in the Rebate Fund shall be invested only in Authorized Investments of the type described in clause (a) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government pursuant to the Indenture or in Authorized Investments of the type described in clause (d) of the definition thereof.

In the absence of written investment directions from the District, the Trustee shall invest solely in Authorized Investments specified in clause (d) of the definition thereof.

The Trustee shall sell, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such funds and accounts or from such funds and accounts. For the purpose of determining at any given time the balance in any such funds and accounts, any such investments constituting a part of such funds and accounts shall be valued at their cost, except that amounts in the Reserve Account shall be valued at the market value thereof and marked to market at least annually. In making any valuations of investments under the Indenture, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system, and rely thereon. The Trustee shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Indenture. The Trustee or an affiliate may act as principal or agent in connection with the acquisition or disposition of any Authorized

Investments and shall be entitled to its customary fee therefor. Any Authorized Investments that are registrable securities shall be registered in the name of the Trustee.

For investment purposes, the Trustee may commingle the funds and accounts established under the Indenture (other than the Rebate Fund) but shall account for each separately.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

COVENANTS AND WARRANTY

Warranty. The District shall preserve and protect the security pledged under the Indenture to the Bonds against all claims and demands of all persons.

Covenants. So long as any of the Bonds issued under the Indenture are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and the Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust and will immediately deposit such amounts with the Trustee, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by the Indenture. All such Special Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District further covenants that, in connection with the delivery of any Prepayment to the Trustee, the District will also deliver to the Trustee a certificate of the Special Tax Administrator identifying with respect to the Prepayment: (i) the absence of any "Remaining Facilities Amount" (as defined in the RMA), (ii) the "Administrative Fees and Expenses" (as defined in the RMA), with instructions that said amount shall be deposited in the Administrative Expense Account, (iii) the amount that represents the Special Taxes levied in the current Fiscal Year on the subject Assessor's Parcel which had not been paid, with instructions to deposit portions of said amount in the Interest Account and the Principal Account of the Special Tax Fund, (iv) the amount of the "Reserve Fund Credit" (as defined in the RMA), with instructions to withdraw said amount from the Reserve Account and transfer it to the Prepayment Account in connection with the redemption of Bonds, and (v) the amount to be deposited in the Prepayment Account.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond issued under the Indenture, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and in accordance with the Indenture to the extent that Net Taxes are available therefor, and that the payments into the Funds and Accounts created under the Indenture will be made, all in strict conformity with the terms of the Bonds, and the Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds issued under the Indenture.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in the Indenture, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the Bonds. Nothing in the Indenture prevents the District from issuing or incurring indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds.

Levy of Special Tax. Beginning in Fiscal Year 2014-2014 and in each Fiscal Year thereafter so long as any Bonds issued under the Indenture are Outstanding, the legislative body of the District covenants to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay (1) the principal (including Sinking Fund Payments) of and interest on the Bonds when due, (2) to the extent permitted by law, the Administrative Expenses, and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement.

Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds that it (i) will commence judicial foreclosure proceedings against all parcels owned by a property owner where the aggregate delinquent Special Taxes on such parcels is greater than $7,500 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due and (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year, and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel which is owned by a delinquent property owner whose property is not, in the aggregate, delinquent in the payment of Special Taxes for a period of three years or more or in an amount in excess of $12,000 so long as (1) the amount in the Reserve Account of the Special Tax Fund is at least equal to the Reserve Requirement, and (2) the District is not in default in the payment of the principal of or interest on the Bonds. The District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account of the Special Tax Fund at the Reserve Requirement or to avoid a default in payment on the Bonds.

The District covenants that it will deposit the proceeds of any foreclosure which constitute Net Taxes in the Special Tax Fund.

The District will not, in collecting the Special Taxes or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to Sections 53340, 53344.1, 53344.2, 53356.1 and 53356.5 of the California Government Code in any manner which would materially and adversely affect the interests of the Bondowners and, in particular, will not permit the tender of Bonds in full or partial payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in a reduction in the maximum Special Taxes that may be levied on the taxable property within the District in any Fiscal Year to an amount less than the sum of 110% of Annual Debt Service in the Bond Year ending on the September 1 following the end of such Fiscal Year plus the estimated Administrative Expenses for such Bond Year.

Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund (other than the Administrative Expense Account therein), or which might impair the security of the Bonds then Outstanding; provided that nothing in the Indenture requires the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts shall at all times during business hours be subject to the inspection of the Owners of not less than 10% of the principal amount of the Bonds then Outstanding or their representatives authorized in writing.

Federal Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(i) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code;

(ii) Arbitrage. The District will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code;

(iii) Federal Guaranty. The District will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code;

(iv) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(v) Hedge Bonds. The District will make no use of the proceeds of the Bonds or other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds; and

(vi) Miscellaneous. The District will take no action and will refrain from taking any action inconsistent with its expectations stated in the Tax Certificate and will comply with the covenants and requirements stated therein, including payment of amounts required to pay the District's pro rata share of any rebate amounts owing to the United States on the Bonds.

(vii) Other Tax Exempt Issues. The District will not use proceeds of other tax exempt securities to redeem any Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Reduction of Maximum Special Taxes. The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District determines that a reduction in the Maximum Special Tax (as defined in the RMA) authorized to be levied on parcels in the District below the levels specified above would interfere with the timely retirement of the Bonds. The District determines it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it will take no action that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax, including the initiation of proceedings to reduce the Maximum Special Tax rates for the District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the RMA) in each Bond Year will equal at least 110% of the sum of the estimated Administrative Expenses and Annual Debt Service in that Bond Year on all Bonds to remain Outstanding after the reduction is approved, (ii) the Board of Directors finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds. For purposes of estimating Administrative Expenses for the foregoing calculations, the Independent Financial Consultant or Special Tax Administrator shall compute the Administrative Expenses for the current Fiscal Year and escalate that amount by two percent (2%) in each subsequent Fiscal Year.

Covenant to Defend. The District covenants that in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the Maximum Special Tax below the levels specified above or to limit the power of the District to levy the Special Taxes for the purposes set forth above, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

Continuing Disclosure and Reporting Requirements. The District covenants to comply with the terms of the Continuing Disclosure Agreement executed by it on the Delivery Date with respect to compliance with the Securities and Exchange Commission's Rule 15c2-12, provided the failure of the District to comply with the terms of said Continuing Disclosure Agreement shall not constitute an event of default under Article VIII of the Indenture.

AMENDMENTS TO INDENTURE

Supplemental Indentures or Orders Not Requiring Bondowner Consent. The District and Trustee may from time to time, and at any time, without notice to or consent of any of the Bondowners, enter into Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions in the Indenture which may be inconsistent with any other provision in the Indenture, or to make any other provision with respect to matters or questions arising under the Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect or which further secure Bond payments;

(c) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to comply with the Code or regulations issued under the Indenture, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds then Outstanding; or

(d) to modify, alter or amend the RMA in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than that permitted under the Indenture; or

(e) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondowners.

Supplemental Indentures or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Indentures described above, the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding shall have the right to consent to and approve the execution and delivery by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture permits, or shall be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, (c) a preference or priority of any Bond over any other Bond, or (d) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds then Outstanding.

If at any time the District shall desire to adopt a Supplemental Indenture, which pursuant to the terms of the Indenture shall require the consent of the Bondowners, the District shall so notify the Trustee and shall deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding as required by the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee shall receive an instrument or instruments purporting to be executed by the Owners of a majority in aggregate principal amount of the Bonds Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to and approve the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds have consented to the adoption of any Supplemental Indenture, Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds in instances where such consent is required pursuant to the provisions of the Indenture, the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

Notation of Bonds; Delivery of Amended Bonds. After the effective date of any action taken as hereinabove provided, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action shall be made on such Bonds. If the District shall so determine, new Bonds so modified as, in the opinion of the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond at such effective date such new Bonds shall be exchanged at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner of Outstanding Bonds, upon surrender of such Outstanding Bonds.

TRUSTEE

Duties, Immunities and Liabilities of Trustee. Wells Fargo Bank, N.A. shall be the Trustee for the Bonds unless and until another Trustee is appointed by the District under the Indenture. The Trustee shall, prior to an event of default and after curing all events of default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. Upon the occurrence and upon the continuance of an event of default, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use as trustee under a trust indenture. The District may, at any time, appoint a successor Trustee satisfying the requirements of the Indenture for the purpose of receiving all money which the District is required to deposit with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture.

The Trustee is authorized to and shall mail or cause to be mailed by first class mail, postage prepaid, or wire transfer, interest payments to the Bondowners, to select Bonds for redemption, and to maintain the Bond Register. The Trustee is authorized to pay the principal of and premium, if any, on the Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds presented to it for such purposes, to provide for the cancellation of Bonds all as provided in the Indenture, and to provide for the authentication of Bonds, and shall perform such other duties expressly assigned to or imposed on it as provided in the Indenture; provided, however, that no other duties of the Trustee shall be implied or imposed upon the Trustee other than as expressly stated under the Indenture. The Trustee shall keep accurate records of all funds administered by it and all Bonds paid, discharged and cancelled by it.

The Trustee is authorized to redeem the Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Trustee shall cancel all Bonds upon payment thereof.

The District shall from time to time, subject to any agreement between the District and the Trustee then in force, pay to the Trustee compensation for its services, reimburse the Trustee for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties under the Indenture, and indemnify and save the Trustee and its officers, directors and employees harmless against costs, claims, expenses (including the reasonable expense of its counsel) and liabilities not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties under the Indenture. The foregoing obligation of the District to indemnify the Trustee shall survive the removal or resignation of the Trustee or the discharge of the Bonds.

Removal of Trustee. The District may at any time at its sole discretion remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor, other than the Trustee, shall be a bank or trust company having (or in the case of a financial institution that is part of a bank holding company, such company shall have) a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000, and subject to supervision or examination by federal or state authority. Any removal shall become effective only upon acceptance of appointment by the successor Trustee. If any bank or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the provisions described above, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee and notice being sent by the successor Trustee to the Bondowners of the successor Trustee's identity and address.

Resignation of Trustee. The Trustee may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the registration books in the office of the Trustee. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee satisfying the criteria of the Indenture by an instrument in writing. In the event a successor trustee shall not have been designated within 30 Business Days, the Trustee shall have the right to petition any federal court for an order appointing a replacement Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

Liability of Trustee. The recitals of fact and all promises, covenants and agreements contained in the Indenture and in the Bonds shall be taken as statements, promises, covenants and agreements of the District, and the Trustee assumes no responsibility and shall have no liability for the correctness of the same and makes no representations as to the validity or sufficiency of the Indenture, the Bonds, and shall incur no responsibility and have no liability in respect thereof, other than in connection with its express duties or obligations specifically set forth in the Indenture, in the Bonds, or in the certificate of authentication of the Trustee. The Trustee shall be under no responsibility or duty and shall have no responsibility with respect to the issuance of the Bonds for value. The Trustee 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 be protected in acting upon any notice, resolution, request, consent, order, certificate, report, Bond, certificate of an Independent Financial Consultant or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered under the Indenture in good faith and in accordance therewith.

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

Whenever in the administration of its duties under the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof is specifically prescribed in the Indenture) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a written certificate of the District, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

The Trustee shall have no duty or obligation whatsoever to monitor or enforce the collection of Special Taxes or other funds to be deposited with it under the Indenture, or as to the correctness of any amounts received. The sole obligation of the Trustee with respect thereto shall be limited to the proper accounting for such funds as it shall actually receive. No provision in the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of its rights or powers.

In the event the Trustee shall advance funds in connection with its administration of the trust, the Trustee shall be entitled to interest at the maximum interest rate permitted by law.

The Trustee shall not be deemed to have knowledge of any event of default that doesn't involve a failure to make payment unless and until it shall have actual knowledge thereof by receipt of written notice thereof at its corporate trust office.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Trustee without the execution or filing of any paper or further act.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Any one or more of the following events shall constitute an "event of default":

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) Default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; or

(c) Except as described in (a) or (b), default shall be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds, and such default shall have continued for a period of 30 days after the District shall have been given notice in writing of such default by the Owners of 25% in aggregate principal amount of the Outstanding Bonds.

The District agrees to give notice to the Trustee immediately upon the occurrence of an event of default under (a) or (b) above and within 30 days of the District's knowledge of an event of default under (c) above.

Remedies of Owners. Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;

(b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) By a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in the Indenture, the Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners thereof at the respective dates of maturity, as provided in the Indenture, out of the Net Taxes and other amounts pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Indenture.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Act or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. 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 Act or any other law.

The Trustee's counsel is not and shall not be deemed counsel to the Bondholders. Any communication between the Trustee and its counsel shall be deemed confidential and privileged.

In case the moneys held by the Trustee after an event of default consisting of a failure to make payment shall be insufficient to pay in full the whole amount so owing and unpaid upon the Outstanding Bonds, then all available amounts shall be applied to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

DEFEASANCE

If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture or any Supplemental Indenture, then the Owner of such Bond shall cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds, the Trustee shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the District's general fund all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds.

Any Outstanding Bond shall be deemed to have been paid if such Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable; or

(c) by depositing with the Trustee or another escrow bank appointed by the District, in trust, noncallable Federal Securities, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;

then, at the election of the District, and notwithstanding that any Outstanding Bonds shall not have been surrendered for payment, all obligations of the District under the Indenture and any Supplemental Indenture with respect to such Bond shall cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owner of any such Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District relating to compliance with the Code. Notice of such election shall be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under (b) or (c) above, there shall be provided to the District a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds to be defeased, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture. If a forward supply contract is employed in connection with an advance refunding to be effected under (c) above, (i) such verification report shall expressly state that the adequacy of the amounts deposited with the bank under (c) above to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement executed to effect an advance refunding in accordance with (c) above shall provide that, in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement, the terms of the escrow agreement shall be controlling.

Upon a defeasance, the Trustee, upon request of the District, shall release the rights of the Owners of such Bonds and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance under the Indenture of all Outstanding Bonds, the Trustee shall pay over or deliver to the District any funds held by the Trustee at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds when due. The Trustee shall, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

MISCELLANEOUS

Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds shall be sufficient for the purposes of the Indenture (except as otherwise provided in the Indenture), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of his authority.

(b) As to any Bond, the person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the District nor the Trustee shall be affected by any notice to the contrary.

Nothing contained in the Indenture shall be construed as limiting the Trustee or the District to such proof, it being intended that the Trustee or the District may accept any other evidence of the matters stated in the Indenture which the Trustee or the District may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Trustee or the District in pursuance of such request or consent.

Unclaimed Moneys. Anything in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds which remain unclaimed for a period ending at the earlier of two Business Days prior to the date such funds would escheat to the State or two years after the date when such Outstanding Bonds have become due and payable, if such money was held by the Trustee at such date, or for a period ending at the earlier of two Business Days prior to the date such funds would escheat to the State or two years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds become due and payable, shall be repaid by the Trustee to the District, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Outstanding Bonds; provided, however, that, before being required to make any such payment to the District, the Trustee at the written request of the District or the Trustee shall, at the expense of the District, cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Provisions Constitute Contract. The provisions of the Indenture shall constitute a contract between the District and the Bondowners and the provisions of the Indenture shall be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or the Trustee, then the District, the Trustee and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds the Indenture shall be irrepealable, but shall be subject to modifications to the extent and in the manner provided in the Indenture, but to no greater extent and in no other manner.

Future Contracts. Nothing contained in the Indenture shall be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Gross Taxes which is subordinate to the pledge under the Indenture, or which is payable from the general fund of the District or from taxes or any source other than the Gross Taxes and other amounts pledged under the Indenture.

Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances 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 Owners of the Bonds the rights and benefits provided in the Indenture.

Action on Next Business Day. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, is not a Business Day, such payment, with no interest accruing for the period from and after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided therefor in the Indenture.

Severability. If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and the Indenture, the Bonds shall remain valid and the Bondowners shall retain all valid rights and benefits accorded to them under the laws of the State of California.

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX REFUNDING BONDS

DISTRICT CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of July 1, 2014 (the "Disclosure Agreement"), is executed and delivered by the Northstar Community Services District Community Facilities District No. 1 (the "District") in connection with the issuance of its $19,320,000 aggregate principal amount of Northstar Community Services District Community Facilities District No. 1 Special Tax Refunding Bonds, Series 2014 (the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture, dated November 1, 2006, as amended and supplemented by a Second Supplemental Trust Indenture dated July 1, 2014 (the "Indenture"), by and between the District and Wells Fargo Bank, N.A., (the "Trustee"), relating to the Bonds. The District covenants and agrees as follows:

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

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

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

"Beneficial Owner" means 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 purposes.

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

"EMMA" means the Electronic Municipal Market Access system of the MSRB.

"Listed Events" means any of the events listed in Section 5(a) and (b) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"NCSD" means Northstar Community Services District.

"*Official Statement"* means the Official Statement for the Bonds, dated July 24, 2014.

"Participating Underwriter" means Stifel, Nicolaus & Company, Incorporated.

"Rate and Method of Apportionment" means the Amended Rate and Method of Apportionment of Special Taxes for Northstar Community Services District Community Facilities District No. 1, as amended from time to time.

"*Repository*" means the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless 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.

"*Rule*" means 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.

Section 3. Provision of Annual Reports.

The District shall, or shall cause the Dissemination Agent by written direction to the Dissemination Agent to, not later than the February 1 following the end of the NCSD's fiscal year (which currently ends on June 30), commencing with the report for the fiscal year ending June 30, 2014, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of NCSD may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The District's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The District will promptly notify the Repository of a change in the fiscal year dates.

(b) In the event that the Dissemination Agent is an entity other than the District, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report, the District shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to the due date for an Annual Report the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District will be filing the Annual Report in compliance with subsection (a). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is other than the District and if the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository, in the form required by the Repository.

(d) If the Dissemination Agent is other than the District, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Repository if other than the MSRB; and

(ii) promptly after receipt of the Annual Report, file a report with the District certifying that the Annual Report has been provided to the Repository and the date it was provided.

(e) Notwithstanding any other provision of this Disclosure Agreement, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the District for the most recent fiscal year of the District then ended, which may be included in the audited financial statements of NCSD. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the District in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the District shall be audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the District may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the District shall modify the basis upon which its financial statements are prepared, the District shall provide a notice of such modification to each Repository, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) The Annual report shall also contain the following information:

(i) the principal amount of the Bonds outstanding as of the September 2 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Indenture as of the September 2 preceding the filing of the Annual Report;

(iii) The Special Tax delinquency rate for all parcels within the on which the Special Tax is levied, as shown on the assessment roll of the Placer County Assessor last equalized prior to the date of the Annual Report, the number of parcels within the District on which the Special Tax is levied that are delinquent in payment of the Special Tax, as shown on the assessment roll of the Placer County Assessor last equalized [prior to the date of the Annual Report], the amount of each delinquency and the length of time delinquent, or similar information pertaining to delinquencies deemed appropriate by the District; provided, however, that parcels with delinquencies of $2,500 or less may be grouped together and such information may be provided by category.

(iv) an update of Table 9 in the Official Statement for the Bonds, based on the assessed values (rather than appraised values) within the District and the Special Tax levy for the fiscal year in which the Annual Report is being filed;

(v) any changes to the Rates and Method of Apportionment of the Special Tax approved or submitted to the qualified electors for approval prior to the filing of the Annual Report;

(vi) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes;

(vii) any information not already included under (i) through (vi) above that the Board of Directors of the NCSD is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended; and

(viii) such further information, if any, as may be necessary to make the statements specifically required pursuant to this Section 4(b), in the light of the circumstances under which they are made, not misleading.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of NCSD, the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

Neither the Trustee nor the Dissemination Agent shall have any responsibility for the content of the Annual Report, or any part thereof.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;

2. unscheduled draws on debt service reserves reflecting financial difficulties;

3. unscheduled draws on credit enhancements reflecting financial difficulties;

4. substitution of credit or liquidity providers, or their failure to perform;

5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);

6. tender offers;

7. defeasances;

8. ratings changes; and

9. bankruptcy, insolvency, receivership or similar proceedings.

Note: for the purposes of the event identified in subparagraph (9), 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) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in paragraph 5(a)(5) above, 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;

2. 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;

3. appointment of a successor or additional trustee or the change of the name of a trustee;

4. nonpayment related defaults;

5. modifications to the rights of Owners of the Bonds;

6. notices of redemption; and

7. release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) above, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with the Repository in a timely manner not more than 10 business days after the event.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the District and that the Dissemination Agent shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The District's and Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. From time to time, the District may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent.

Section 8. Amendment.

(a) This Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the District or the type of business conducted thereby; (ii) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) the District shall have delivered to the Dissemination Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the same effect as set forth in clause (ii) above; (iv) the District shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners; and (v) the District shall have delivered copies of such opinion and amendment to the Repository.

(b) This Disclosure Agreement also may be amended by written agreement of the parties upon obtaining consent of Owners in the same manner as provided in the Trust Indenture for amendments to the Trust Indenture with the consent of the Owners of the Bonds; provided that the conditions set forth in Section 8(a)(i), (ii), (iii) and (v) have been satisfied.

(c) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

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

Section 10. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner 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 District and/or the Dissemination Agent to comply with their respective obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and hold harmless (but only to the extent of Special taxes available for such purpose) the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which the Dissemination Agent 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 District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. Neither the Trustee nor the Dissemination Agent shall be required to consent to any amendment which would impose any greater duties or risk of liability on the Trustee or the Dissemination Agent. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach of this Agreement. The Dissemination Agent shall have no responsibility whatsoever for the content of any report or notice required of the District hereunder.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Trustee, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

NORTHSTAR COMMUNITY SERVICES DISTRICT COMMUNITY FACILITIES DISTRICT NO. 1

By:______________________________________
General Manager, Northstar Community Services District

The undersigned hereby agrees to act as Dissemination Agent pursuant to the foregoing Continuing Disclosure Agreement.

Goodwin Consulting Group, as Dissemination Agent

By:______________________________________
Authorized Signatory

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of District: Northstar Community Services District Community Facilities District No. 1

Name of Bond Issue: Northstar Community Services District Community Facilities District No. 1 Special Tax Refunding Bonds, Series 2014

Date of Issuance: July 30, 2014

NOTICE IS HEREBY GIVEN that the Northstar Community Services District Community Facilities District No. 1 (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated _____________, 2014, executed by the District for the benefit of the Owners and Beneficial Owners of the above-referenced Bonds. The District anticipates that the Annual Report will be filed by _________________________.

Dated:______________________________

GOODWIN CONSULTING GROUP

By:____
Title:____

cc: District

NORTHSTAR COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX REFUNDING BONDS, SERIES 2014

DEVELOPER CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of July 1, 2014 (the "Disclosure Agreement"), is made and entered into between Northstar Mountain Properties, LLC, a Delaware limited liability company (the "Developer"), and Goodwin Consulting Group, Inc., as dissemination agent (the "Dissemination Agent") in connection with the issuance by Northstar Community Services District Community Facilities District No. 1 (the "Community Facilities District") of its Special Tax Refunding Bonds, Series 2014 (the "Bonds"). The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act") and a Trust Indenture dated November 1, 2005, between the Community Facilities District and Wells Fargo Bank, National Association (the "Trustee"), as supplemented by a Second Supplemental Trust Indenture, dated as of July 1, 2014, by and between the District and the Trustee (collectively, the "Indenture").

The Developer and the Dissemination Agent covenant and agree as follows:

Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the Bond owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

Definitions. In addition to the definitions set forth in the Indenture or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Affiliate*" of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 15% or more of the outstanding voting securities of such other Person, (b) any Person 15% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person; for purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

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

"*Annual Report Date*" means the date that is eight months after the end of Developer's fiscal year, which fiscal year currently ends December 31. The first Annual Report Date shall be September 1, 2015.

"*Assumption Agreement*" means an agreement between a Major Developer, or an Affiliate thereof; and the Dissemination Agent containing terms substantially similar to this Disclosure Agreement, whereby such Major Developer or Affiliate agrees to provide Annual Reports, Semi-Annual Reports and Notices of Listed Events with respect to the portion of the Property owned by such Major Developer and its Affiliates.

"*Beneficial Owner*" means any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"*Bond Counsel*" means an attorney or a firm of attorneys whose experience in matters relating to the issuance of obligations by the states and their political subdivisions and the tax-exempt status of the interest thereon is recognized nationally.

"*Community Facilities District*" means the Northstar Community Services District Community Facilities District No. 1.

"*Development Plan*" means, with respect to a Major Developer, the specific improvements such Major Developer intends to make, or cause to be made, to the portion of the Property owned by such Major Developer in order for such portion of the Property to reach the Planned Development Stage, the time frame in which such improvements are intended to be made and the estimated costs of such improvements. As of the date hereof; the Development Plan for the Property owned by the Developer and its Affiliates is described in the Official Statement under the caption "THE DEVELOPMENT AND PROPERTY OWNERSHIP — Future Development Plans of the Developer."

"*Dissemination Agent*" means Goodwin Consulting Group, Inc., acting in its capacity as the Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Community Facilities District a written acceptance of such designation.

"*EMMA*" shall mean the Electronic Municipal Market Access system of the MSRB.

"*Financing Plan*" means, with respect to a Major Developer, the method by which such Major Developer intends to finance its Development Plan, including specific sources of funding for such Development Plan. As of the date hereof, the Financing Plan for the Developer and its Affiliates is described in the Official Statement under the caption "THE DEVELOPMENT AND PROPERTY OWNERSHIP — Future Development Plans of the Developer."

"*Financial Statements*" means, with respect to a Major Developer, the full financial statements, special purpose financial statements, project operating statements or other reports reflecting the financial position of each entity, enterprise, fund, account or other person (other than a financial institution acting as a lender in the ordinary course of business) identified in such Major Developer's Development Plan or its Financing Plan as a source of funding for such Major Developer's Development Plan, which statements shall be prepared in accordance with Generally Accepted Accounting Principles, as in effect from time to time, and which statements may be audited or unaudited; provided that, if such financial statements or reports are otherwise prepared as audited financial statements or reports, then "Financial Statements" means such audited financial statements or reports.

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

"*Major Developer*" means, as of any Report Date, any Property Owner, including the Developer, which owns a portion of the Property that has not reached the Planned Development

Stage and that is responsible in the aggregate for 15% or more of the Special Taxes in the Community Facilities District anticipated to be levied at any time during the then-current fiscal year.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board.

"*Official Statement*" means the Official Statement, dated July 24, 2014, relating to the Bonds.

"*Participating Underwriter*" means Stifel Nicolaus & Company, Incorporated.

"*Person*" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, a limited liability company, any unincorporated organization or a government or political subdivision thereof.

"*Planned Development Stage*" means the stage of development of the land in the Community Facilities District owned by the Developer and its Affiliates that the Developer intends to achieve with respect thereto. As of the date hereof the Planned Development Stage of the Developer is the construction of approximately 1,500 residential units, approximately 92,000 square feet of commercial and property owner amenity space and a 170-room luxury hotel, with retail, restaurant and spa space in the Community Facilities District.

"*Property*" means the parcels within the boundaries of the Community Facilities District that are subject to Special Taxes.

"*Property Owner*" means any Person that owns a fee interest in any portion of the Property that was, as of the date of this Disclosure Agreement, owned by the Developer.

"*Repository*" means the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless 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.

"*Report Date*" means March 1 and September 1 of any Fiscal Year.

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

"*Semi-Annual Report*" means any Semi-Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"*Semi-Annual Report Date*" means the date that is two (2) months after the end of Developer's fiscal year, which fiscal year currently ends December 31. The first Semi-Annual Report Date shall be March 1, 2015.

<u>Provision of Annual Reports and Semi-Annual Reports</u>.

Not later than five (5) business days prior to each Annual Report Date, the Developer shall provide to the Dissemination Agent an Annual Report which is consistent with the requirements of Section 4 hereof and which is in a form suitable for filing with the Repository. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the Financial Statements of the Developer (if required) 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 the audited Financial Statements are not available by that date. Not later than five (5) business days after its receipt of the foregoing material from the Developer, the Dissemination Agent shall provide a copy thereof to the Repository and the Participating Underwriter. The Developer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Developer and shall have no duty or obligation to review such Annual Report.

Not later than five (5) business days prior to each Semi-Annual Report Date, the Developer shall provide to the Dissemination Agent a Semi-Annual Report which is consistent the requirements of Section 4 hereof and which is in a form suitable for filing with the Repository. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. Not later than five (5) business days after its receipt of the foregoing material from the Developer, the Dissemination Agent shall provide a copy thereof to the Repository and the Participating Underwriter. The Developer shall provide a written certification with each Semi-Annual Report furnished to the Dissemination Agent to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Developer and shall have no duty or obligation to review such Semi-Annual Report.

If the Dissemination Agent has not received a copy of the Annual Report by the date required in Subsection (a), or if the Dissemination Agent has not received a copy of the Semi-Annual Report by the date required in Subsection (b), the Dissemination Agent shall notify the Developer of such failure to receive the applicable report. If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository and the Participating Underwriter by the date required in Subsection (a), or if the Dissemination Agent is unable to verify that a Semi-Annual Report has been provided to the Repository and the Participating Underwriter by the date required in Subsection (b), the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board (“MSRB”) and to the State Repository, if any, in the form required by the Depository.

The Dissemination Agent shall:

determine each year prior to the date for providing the Annual Report and the Semi-Annual Report, the name and address of each Repository, if any;

provide any Annual Report and any Semi-Annual Report received by it to the Repository and to the Participating Underwriter, as provided herein; and

if it has provided the applicable report pursuant to (ii) above, file a report with the Community Facilities District and the Developer certifying that it provided the Annual Report or the Semi Annual Report, as the case may be, pursuant to this Disclosure Agreement and stating the date it was provided.

Notwithstanding any other provision of this Disclosure Agreement, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

Content of Annual Reports and Semi-Annual Reports. The Developer's Annual Report shall contain or incorporate by reference Financial Statements for each Major Developer for the prior fiscal year if required; provided, that, if such information is required from the Developer as to another Major Developer, the Developer shall only be required to provide such information that it has actual knowledge of after reasonable inquiry. If audited Financial Statements are required to be provided, and such audited Financial Statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited Financial Statements, if prepared by such Major Developer, and the audited Financial Statements shall be filed in the same manner as, or as an amendment or supplement to, the Annual Report when they become available. Such Financial Statements shall be for the most recently ended fiscal year for the entity covered thereby hereunder.

If the annual financial information or operating data provided in an Annual Report or a Semi-Annual Report is amended pursuant to the provisions hereof, the first Annual Report or Semi-Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the provisions hereof specifying the accounting principles to be followed in preparing Financial Statements, the annual financial information for the year in which the change is made shall present a comparison between the Financial Statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be provided in the manner as for a Listed Event under Section 5(c).

The Developer's Annual Report and Semi-Annual Report shall contain or incorporate by reference the information set forth in Exhibit A relating to the Developer, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Developer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Developer shall clearly identify each such other document so included by reference. Major Developers that are Affiliates of each other may file either separate Annual Reports and Semi-Annual Reports or combined Annual Reports and Semi-Annual Reports covering all such entities.

In addition to any of the information expressly required to be provided under Subsections (a) and (b) of this Section, the Developer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

<u>Reporting of Significant Events</u>. The Developer shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Developer and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Developer that is reasonably likely to have a significant impact on the Developer's ability to pay Special Taxes or to sell or develop the Property;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property on or prior to the delinquency date;

(iii) filing of a lawsuit of which the Developer is aware against the Developer or an Affiliate seeking damages, which is reasonably likely to have a significant impact on the Developer's ability to pay Special Taxes or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property; and

(v) any payment default or other material default by the Developer on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Developer shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB, with a copy to the Trustee, the Community Facilities District and the Participating Underwriter.

Assumption of Obligations. If a portion of the Property owned by the Developer, or any Affiliate of the Developer, is conveyed to a Person that, upon such conveyance, will be a Major Developer, the obligations of the Developer hereunder with respect to the Property owned by such Major Developer and its Affiliates may be assumed by such Major Developer or by an Affiliate thereof. In order to effect such assumption, such Major Developer or Affiliate shall enter into an Assumption Agreement.

Termination of Reporting Obligation. The Developer's obligations hereunder shall terminate (except as provided in Section 12) upon the earliest to occur of (a) the legal defeasance, prior redemption or payment in full of all the Bonds, (b) at such time as property owned by the Developer is no longer responsible for payment of 15% or more of the Special Taxes, or (c) the date on which the Developer prepays in full all of the Special Taxes attributable to the Property. The Developer's obligations under this Disclosure Agreement with respect to a Person that purchased Property from the Developer and that became a Major Developer as a result thereof shall terminate upon the earliest to occur of (x) date on which such Person is no longer a Major Developer, (y) the date on which the Developer's obligations with respect to such Person are assumed under an Assumption Agreement entered into pursuant to Section 6 and (z) the date on which all Special Taxes applicable to the portion of the Property owned by such Major Developer and its Affiliates are prepaid in full; provided however, until the occurrence of any of the events described in clauses (x) through (z), the Developer's obligations hereunder with respect to each other Major Developer, if any, shall remain in full force and effect. Upon the occurrence of any such termination prior to the final maturity of the Bonds, the Developer shall cause the Dissemination Agent to give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Dissemination Agent. The Developer may, from time to time and with the prior written consent of the Community Facilities District, discharge the Dissemination Agent with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days' written notice to the Developer and the Community Facilities District. If at any time there is no other designated Dissemination Agent, the Developer shall be the Dissemination Agent. If the Dissemination Agent is an entity other than the Developer, the Developer shall be responsible for paying the fees and expenses of such Dissemination Agent for its services provided hereunder.

Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Developer, so long as such amendment does not adversely affect the rights or obligations of the Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that (a) if the amendment or waiver relates to Sections 3(a), 4 or 5(a) hereof, such amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature, or status of the Developer or the type of business conducted; (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of Bond Counsel approved by the Community Facilities District and the Participating Underwriter, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver either (i) is approved by the Bond Owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bond Owners, or (ii) does not, in the opinion of the Community Facilities District or Bond Counsel, materially impair the interests of the Bond Owners or Beneficial Owners of the Bonds.

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

Default. In the event of a failure of the Developer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the written request of the Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Bonds, and upon being indemnified to its reasonable satisfaction against the costs, expenses and liabilities to be incurred in compliance with such request, shall), or the Participating Underwriter or any Bond Owner 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 or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Indenture, and the sole remedy under this Disclosure

Agreement in the event of any failure of the Developer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall not have any responsibility for the content of any Annual Report, Semi-Annual Report or Notice of a Listed Event. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, 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, including the reasonable costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding losses, expenses and liabilities due to the Dissemination Agent's negligence or willful misconduct or the negligence or willful misconduct of any of its officers, directors, employees and agents. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Dissemination Agent will not, without the Developer's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification may be sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Developer and its Affiliates from all liability arising out of any such claim, action or proceedings. A request by the Dissemination Agent for the Developer's written consent shall be answered within a reasonable amount of time to allow the Dissemination Agent to act in a timely manner. If any claim, action or proceeding is settled with the consent of the Developer or if there is a judgment (other than a stipulated final judgment without the approval of the Developer) for the plaintiff in any such claim, action or proceeding, with or without the consent of the Developer, the Developer agrees to indemnify and hold harmless the Dissemination Agent to the extent described herein.

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

Community Facilities District: Board of Directors
Northstar Community Services District, as legislative body of Northstar Community Services District Community Facilities District No. 1
908 Northstar Drive
Truckee, CA 96161
Attn: General Manager

Dissemination Agent: Goodwin Consulting Group, Inc.
555 University Avenue, Suite 280
Sacramento, CA 95825

Developer: Northstar Mountain Properties, LLC
c/o East West Partners
3001 Northstar Drive, Suite C-200
Truckee, CA 96161
Attn: Blake Riva

Participating Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attention: Eileen Gallagher

Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Dissemination Agent, the Developer, the Participating Underwriter and Bond Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Assignability. The Developer shall not assign this Disclosure Agreement or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 6 hereof. The Dissemination Agent may, with prior written notice to the Developer and the Community Facilities District, assign this Disclosure Agreement and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Governing Law. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

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

NORTHSTAR MOUNTAIN PROPERTIES, LLC,
a Delaware limited liability company

By: CREW Tahoe LLC,
a Delaware limited liability company, its Manager

By: East West Partners-Tahoe, Inc.,
a Colorado corporation, its Manager

By:____
Name:
Title:

GOODWIN CONSULTING GROUP, INC., as Dissemination Agent

By:____
Its: ____

EXHIBIT A

FORM OF SEMI-ANNUAL REPORT AND ANNUAL REPORT

This Report is hereby submitted under Section 3 of the Developer Continuing Disclosure Agreement (the "**Disclosure Agreement**") dated _______, 2014, executed by the undersigned (the "**Developer**") in connection with the issuance of the above-captioned bonds.

Capitalized terms used in this Report but not otherwise defined have the meanings given to them in the Disclosure Agreement.

I. Property Ownership and Development

The information in this section is provided as of ____________________ (this date must be not more than 60 days before the date of this Report).

A. Information related to property currently owned by the Developer in the Community Facilities District (the "**Property**") in substantially the form of the table below.

B. In addition, to the extent the Developer is aware of and has access to information on whole ownership sales by other developers, that information will also be included in the Semi-Annual Report.

Northstar Community Services District
Community Facilities District No. 1
Continuing Disclosure - Major Property Owner

	Current Entitlements				Development Status					Sales Status	
Developer-Owned Property	**Condo Units**	**Townhome Units**	**Single Family Units**	**Commercial Square Footage**	**Final Map**	**Building Permits Pulled**	**Construction Complete**	**Notes**	**Sales Completed**	**Sales In Contract**	**Remaining Inventory**
Property Owned as of July 2014											
Village Walk Townhomes Phase 2	-	6	-					Foundation completed in 2008; no additional construction to date			
Village Walk Townhomes Phase 2	-	16	-					Future Planned Project			
Martis 25	-	-	25					Finished Lots complete, sales ongoing	1	3	21
Future Townhomes	-	17	-								
APN: 110-030-079-000 (4.0 acres)	-	-	5					Future Planned Project			
APN: 110-050-071-000 (113.2 acres)	310	111	-					Future Planned Project			
APN: 110-050-072-000 (125.5 acres)	330	24	5					Future Planned Project			
APN: 110-081-017-000 (2.1 acres)	-	2	-					Future Planned Project			
APN: 110-400-005-000 (25.8 acres)	110	17	-					Future Planned Project			

Additionally Acquired Property

B. Description and status update of any land purchase contracts with regard to the Property that were entered into since the last Report Date or that were entered into prior to the last Report Date but that are still executory, whether acquisition of land in the Community Facilities District by the Developer or sales of land in the Community Facilities District to other property owners, distinguishing between (i) end users (e.g., condominiums), (ii) developers and (iii) merchant builders.

____

____

II. Legal and Financial Status of Developer

Unless such information has previously been included or incorporated by reference in a Report, describe any change in the legal structure of the Developer that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

____

____

III. Financial Status of Developer

Provide a pro forma cash flow statement in substantially the form of Table 5 of the Official Statement.

IV. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report or Annual Report, describe any significant changes in the information relating to the development plans or financing plans relating to the Property contained in the Official Statement under the heading “THE DEVELOPMENT AND PROPERTY OWNERSHIP – The Development Plan” and “- Future Development Plans of the Developer.”

____

____

V. Other Material Information

In addition to any of the information expressly required above, provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

____

____

Certification

The undersigned Developer hereby certifies that this Report constitutes the Report required to be furnished by the Developer under the Disclosure Agreement.

ANY 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 REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE AGREEMENT.

Dated:______________

[Developer signature block]

By: ______________________________
____
____

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Northstar Community Services District
Community Facilities District No. 1
Truckee, California

Re: $__________ Northstar Community Services District Community Facilities District No. 1 Special Tax Refunding Bonds, Series 2014

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings taken in connection with the authorization and issuance by the Northstar Community Services District Community Facilities District No. 1 (the "District") of its Special Tax Refunding Bonds, Series 2014 in the aggregate principal amount of _______ (the "2014 Bonds") and such other information and documents as we consider necessary to deliver the opinions set forth herein. In arriving at those opinions, we have relied upon certain representations of fact and certifications made by the District, the initial purchaser of the 2014 Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2014 Bonds have been issued pursuant to the Mello Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), and a Trust Indenture, dated as of November 1, 2005, between the District and Wells Fargo Bank, National Association (the "Trustee"), as Trustee, and a Second Supplemental Trust Indenture, dated as of July 1, 2014, between the District and the Trustee (together, the "Trust Indenture"). All capitalized terms not defined herein shall have the meaning set forth in the Trust Indenture.

The 2014 Bonds are dated their date of delivery and mature on the dates and in the amounts set forth in the Trust Indenture; bear interest payable semiannually on each March 1 and September 1, commencing on September 1, 2014, at the rates per annum set forth in the Trust Indenture; and are redeemable in the amounts, at the times and in the manner provided for in the Trust Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The 2014 Bonds have been duly and validly authorized by the District and are legal, valid and binding limited obligations of the District, enforceable in accordance with their terms and the terms of the Trust Indenture, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases, or by the limitations on legal remedies against public agencies in the State of California. The 2014 Bonds are limited obligations of the District but are not a debt of the Northstar Community Services District ("NCSD"), the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation; and, except for the Special Taxes, neither the faith and credit nor the taxing power of the District, NCSD, the State of California, or any of its political subdivisions is pledged for the payment thereof.

(2) The execution and delivery of the Trust Indenture has been duly authorized by the District; and the Trust Indenture is valid and binding upon the District and is enforceable in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, or by the exercise of judicial

discretion in accordance with general principles of equity or otherwise in appropriate cases, or by the limitations on legal remedies against public agencies in the State of California; provided, however, we express no opinion as to the enforceability of the covenant of the District contained in the Trust Indenture to levy Special Taxes for the payment of Administrative Expenses, and we express no opinion as to any provisions with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained therein.

(3) The Trust Indenture creates a valid pledge of that which the Trust Indenture purports to pledge, subject to the provisions of the Trust Indenture, except to the extent that enforceability of the Trust Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases, or by the limitations on legal remedies against public agencies in the State of California.

(4) Under existing statutes, regulations, rulings and judicial decisions, interest on the 2014 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

(5) Interest on the 2014 Bonds is exempt from State of California personal income tax.

The opinion expressed in paragraph (4) above as to the exclusion from gross income for federal income tax purposes of interest on the 2014 Bonds is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2014 Bonds in order to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2014 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2014 Bonds. The District has covenanted to comply with all such requirements. Except as set forth in paragraphs (4) and (5) above, we express no opinion as to any tax consequences related to the 2014 Bonds.

Certain requirements and procedures contained or referred to in the Trust Indenture may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in the Trust Indenture, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to as to the effect on the exclusion of interest on the 2014 Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Our opinions are limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction and express no opinion as to the enforceability of the choice of law provisions contained in the Trust Indenture.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur).

Respectfully submitted,

APPENDIX G

BOOK ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Reference made to www.dttc.com is presented as a link for additional information regarding DTC and is not a part of this Official Statement.

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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal of such issue.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by such reference or otherwise.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial

Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor 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 the District 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).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the 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, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

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

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

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

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APPENDIX H

FORM OF INVESTOR LETTER

Northstar Community Services District
Community Facilities District No. 1

Wells Fargo Bank, National Association

Stifel, Nicolaus & Company, Incorporated

Re: Northstar Community Services District Community Facilities District No. 1
Special Tax Refunding Bonds, Series 2014

Ladies and Gentlemen:

The Northstar Community Services District (the "Issuer") has issued the above-referenced bonds (the "Bonds"). Capitalized terms used in this letter but not defined have the meaning given them in the Trust Indenture, dated as of November 1, 2005 and a Second Supplemental Trust Indenture, dated as of July 1, 2014, relating to the Bonds (together, the "Indenture").

In connection with our purchase on the date hereof of the Bonds, the undersigned (the "Bond Purchaser") hereby represents, warrants and agrees as follows:

(a) The Bond Purchaser is a "qualified institutional buyer" under Rule 144(a) of the Securities Act of 1933 (the "1933 Act").

(b) The Bond Purchaser understands that the Bonds (a) have not been registered under the Securities Act of 1933, as amended, and that such registration is not legally required, (b) have not been registered or and may not have otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (c) will not be listed in any stock or other securities exchange, (d) will not carry a rating from any rating service, and (e) will be delivered in a form which may not be readily marketable. The undersigned represents to you that it is purchasing the Bonds for investment in its own account and not with a present view toward resale or the distribution thereof, in that it does not now intend to resell or otherwise dispose of all or any part of the Bonds, except as permitted by law and in compliance with, and subject to, all applicable federal and state securities laws and regulations thereunder.

(c) The Bond Purchaser recognizes that an investment in the Bonds involves significant risks, that there may be no established market for the Bonds and that the Bond Purchaser must bear the economic risk of an investment in the Bonds for an indefinite period of time.

(d) The Bond Purchaser acknowledges that the obligation of the Issuer to pay debt service on the Bonds is a special, limited obligation payable solely from Net Taxes (as defined in the Indenture) and moneys in certain funds and accounts established in the Indenture, and that the Issuer is not obligated to use any other moneys or assets of the Issuer to pay debt service on the Bonds.

(e) The Bond Purchaser acknowledges that it has either been supplied with or been given access to financial and other information, including but not limited to the Indenture, a Preliminary Official Statement dated July 15, 2014, a final Official Statement dated July _, 2014, both including an Appraisal dated June 1, 2014, to which a reasonable investor would attach significance in making investment decisions.

(f) The Bond Purchaser is aware that the construction and operation of the proposed development involves certain economic variables and risks that could adversely affect the security for the Bonds.

[BOND PURCHASER NAME]

____
[Name, Title]