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

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

$10,230,000
CITY OF SACRAMENTO
DELTA SHORES COMMUNITY FACILITIES DISTRICT NO. 2019-01 (IMPROVEMENTS)
IMPROVEMENT AREA NO. 2 SPECIAL TAX BONDS, SERIES 2022

consisting of

$5,315,000 Non-Escrow Bonds **$4,915,000 Escrow Bonds**

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

This Official Statement describes bonds that are being issued by the City of Sacramento (the "City") with respect to Improvement Area No. 2 ("Improvement Area No. 2") of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California (the "District"). The City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds, Series 2022 (the "Bonds") are being issued by the City to (a) pay the cost and expense of the acquisition and construction of certain public facilities benefitting the development of Improvement Area No. 2; (b) fund a reserve fund securing the Bonds to the extent described herein; (c) pay costs of issuance of the Bonds; (d) fund capitalized interest on a portion of certain non-escrow Bonds through and including December 1, 2022; and (e) fund an escrow fund with respect to certain escrow Bonds, which includes amounts for capitalized interest up through and including September 1, 2024, subject to prior release as described herein.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California), and pursuant to a Master Indenture, dated as of June 1, 2022 as supplemented by a First Supplemental Indenture dated as of June 1, 2022, each by and between the City and U.S. Bank Trust Company, National Association, as trustee (the "Trustee") (collectively, the "Indenture").

The Bonds are special limited obligations of the City and are payable solely from the proceeds of Net Special Tax Revenues (as defined in this Official Statement) received from the Special Tax levied on taxable parcels within Improvement Area No. 2 and from certain other funds pledged under the Indenture, all as further described in this Official Statement. The Special Tax will be levied according to the amended rate and method of apportionment approved by the City Council of the City and the qualified electors within Improvement Area No. 2. See "SOURCES OF PAYMENT FOR THE BONDS." Special taxes levied in Improvement Area No. 1 and Improvement Area No. 3 of the District are not pledged to and are not available to pay debt service on the Bonds.

The Bonds will be issued 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 the Bonds may be made in integral multiples of $5,000 and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable semiannually on each March 1 and September 1, commencing September 1, 2022. The Bonds will be transferable or exchangeable only to another nominee of DTC or as otherwise described in this Official Statement. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS — General Provisions" and APPENDIX I — "BOOK-ENTRY ONLY SYSTEM."

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE NET SPECIAL TAX REVENUES AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

The Bonds are subject to optional redemption, extraordinary redemption from Special Tax prepayments and mandatory sinking fund redemption prior to maturity as set forth in this Official Statement. $5,535,177.43 of the Bond proceeds will be initially deposited in an Escrow Fund (defined herein) established under the Indenture and will be applied to redeem the Escrow Bonds (defined herein) maturing on September 1, 2052 unless certain conditions set forth in the Indenture are satisfied. See "THE BONDS — Redemption" and "SOURCES OF PAYMENT FOR THE BONDS — Escrow Fund" herein.

THE BONDS ARE NOT RATED BY ANY RATING AGENCY, AND INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT RISKS THAT ARE NOT APPROPRIATE FOR CERTAIN INVESTORS. CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE CITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. 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 BONDS.

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 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Best Best & Krieger LLP, Riverside, California, as counsel to the Underwriter, for the Developer by the Law Offices of Thatch & Hooper, LLP, Sacramento, California, for Signature Homes, Inc. by Ironhorse Law Group PC, and for the Trustee by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about June 21, 2022.

PIPER | SANDLER

Dated: June 14, 2022

$10,230,000
CITY OF SACRAMENTO
DELTA SHORES COMMUNITY FACILITIES DISTRICT NO. 2019-01 (IMPROVEMENTS)
IMPROVEMENT AREA NO. 2 SPECIAL TAX BONDS, SERIES 2022

consisting of
$5,315,000 Non-Escrow Bonds **$4,915,000 Escrow Bonds**

MATURITY SCHEDULE

BASE CUSIP®†: 78607C

$360,000 4.75% Term Bonds due September 1, 2032, Yield: 4.89% Price: 98.879 CUSIP No.† AA4

$4,955,000 5.50% Term Bonds due September 1, 2052, Yield: 5.75% Price: 96.427 CUSIP No.† AC0

$4,915,000 5.75% Term Bonds* due September 1, 2052, Yield: 5.75% Price: 100.00 CUSIP No.† AD8

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* *Escrow Bonds.*

† *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.*

CITY OF SACRAMENTO

CITY COUNCIL

Darrell Steinberg, Mayor
Eric Guerra, Mayor Pro Tem, District 6
Angelique Ashby, Vice Mayor, District 1
Sean Loloee, District 2
Jeff Harris, District 3
Katie Valenzuela, District 4
Jay Schenirer, District 5
Rick Jennings II, District 7
Mai Vang, District 8

ADMINISTRATIVE OFFICES

Howard Chan, City Manager
Hector Barron, Assistant City Manager
Michael Jasso, Assistant City Manager
Mario Lara, Assistant City Manager
Leyne Milstein, Assistant City Manager
John Colville, City Treasurer
Susana Alcala Wood, City Attorney
Mindy Cuppy, City Clerk
Emily Combs, Finance Director

PROFESSIONAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel

Stradling Yocca Carlson & Rauth, A Professional Corporation

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Trustee

U.S. Bank Trust Company, National Association
San Francisco, California

Special Tax Consultant

NBS
Temecula, California

Appraiser

BBG, Inc.
Sacramento, California

Market Absorption Consultant

John Burns Real Estate Consulting
Folsom, California

Appraisal Reviewer

Smith & Associates, Inc.
Folsom, California

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City. No dealer, broker, salesperson or other person has been authorized by the City, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, 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 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the City. The information and expressions of opinion in this Official Statement 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 the City or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the 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 made by this Official Statement to such documents on file with the City for further information. While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

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. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "IMPROVEMENT AREA NO. 2" and "DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 2."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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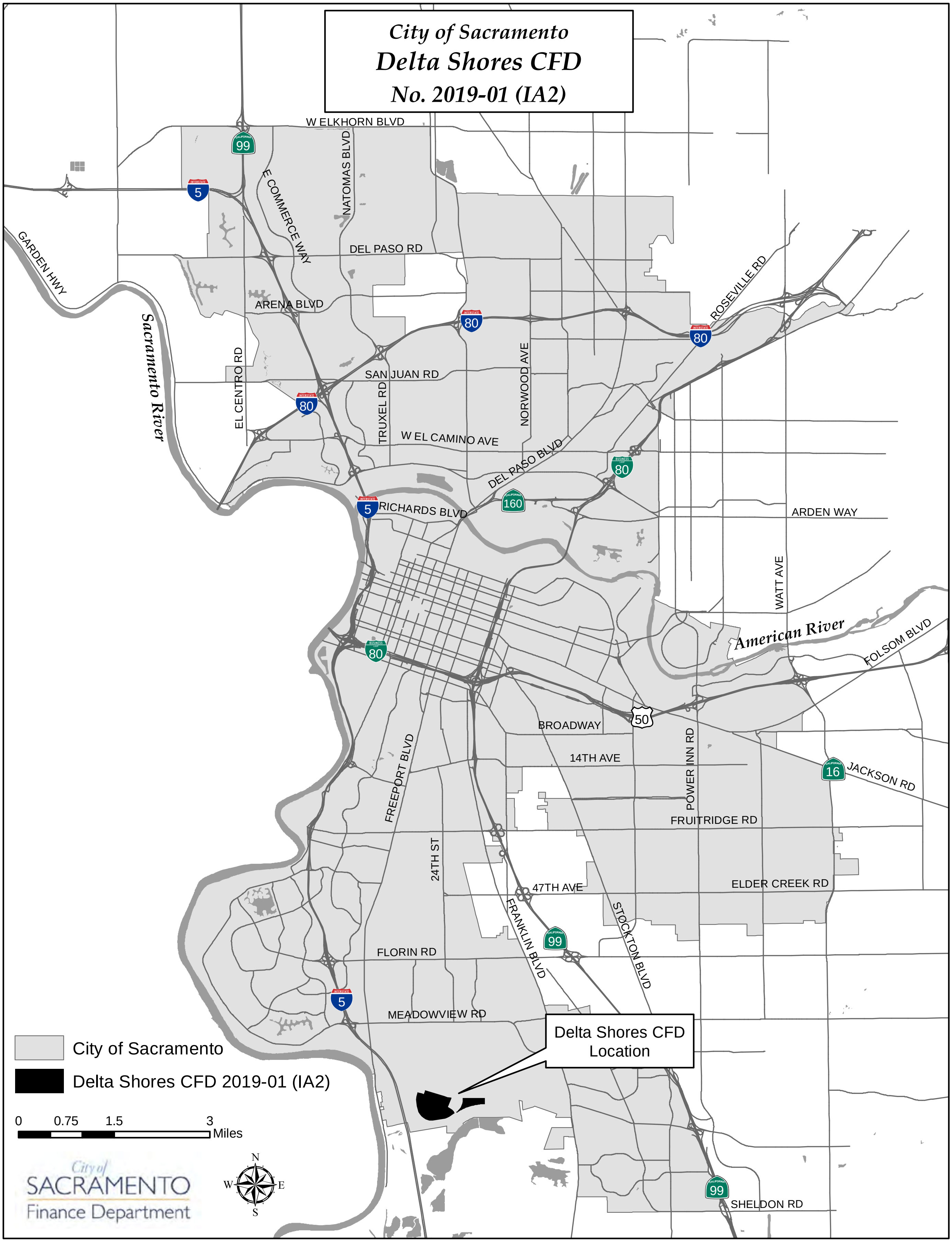
REGIONAL LOCATION MAP



AERIAL MAP

MEADOWVIEW RD
AMHERST ST
24TH ST
MACK RD
JOHN STILL DR
FREEPORT BLVD
5
Delta Shores CFD No. 2019-01
Improvement Area 3
COSUMNES RIVER BLVD
Delta Shores CFD No. 2019-01
Improvement Area 1
Delta Shores CFD No. 2019-01
Improvement Area 2
Delta Shores CFD
No. 2019-01
Improvement Area 2
N
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0
0.125
0.25
0.5
Miles

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$10,230,000
CITY OF SACRAMENTO
DELTA SHORES COMMUNITY FACILITIES DISTRICT NO. 2019-01 (IMPROVEMENTS)
IMPROVEMENT AREA NO. 2 SPECIAL TAX BONDS, SERIES 2022

consisting of

$5,315,000 Non-Escrow Bonds **$4,915,000 Escrow Bonds**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the "Official Statement"), is to provide certain information concerning the issuance by the City of Sacramento (the "City") of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds, Series 2022 (the "Bonds") in the aggregate principal amount of $10,230,000. The Bonds are being issued by the City with respect to Improvement Area No. 2 ("Improvement Area No. 2") of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California (the "District"). The proceeds of the Bonds will be used to (a) pay the cost and expense of the acquisition and construction of certain public facilities benefitting the development of Improvement Area No. 2; (b) fund a reserve fund securing the Bonds to the extent described herein; (c) pay costs of issuance of the Bonds; (d) fund capitalized interest on a portion of certain non-escrow Bonds through and including December 1, 2022; and (e) fund an escrow fund with respect to certain escrow Bonds, which includes amounts for capitalized interest up through and including September 1, 2024, subject to prior release as described herein. See "THE FINANCING PLAN — Estimated Sources and Uses of Funds."

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq*. of the Government Code of the State of California) (the "Act"), and pursuant to a Master Indenture, dated as of June 1, 2022 (the "Master Indenture"), as supplemented by a First Supplemental Indenture dated as of June 1, 2022 (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), each by and between the City and U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

The Bonds are secured under the Indenture by a pledge of and lien upon the Net Special Tax Revenues, which are the proceeds of the Special Tax levied on taxable parcels within Improvement Area No. 2, less the Priority Administrative Expenses (as such terms are defined in this Official Statement), and all amounts held in the Special Tax Fund, the Bond Redemption Fund and the Bond Reserve Fund as provided in the Indenture. See "SOURCES OF PAYMENT FOR THE BONDS." Special taxes levied in Improvement Area No. 1 and Improvement Area No. 3 of the District are not pledged to and are not available to pay debt service on the Bonds.

The Bonds are being issued and delivered pursuant to the provisions of the Act and the Indenture. The Bonds are being sold pursuant to a Bond Purchase Contract between the Underwriter and the City. See "THE BONDS — General Provisions" and "UNDERWRITING."

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 and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The sale and delivery of Bonds 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 F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions."

Changes Since the Date of the Preliminary Official Statement

Changes have been made in this Official Statement since the Preliminary Official Statement dated June 1, 2022 under the caption "SOURCES OF PAYMENT FOR THE BONDS—Escrow Fund" to reflect that, if the Trustee receives an Escrow Fund Release Certificate (as defined herein) from the City on or before June 1, 2023, interest accrued on the Escrow Bonds (as defined herein) through and including December 1, 2023, will be paid from amounts transferred from the Escrow Fund (as defined herein) to the Bond Redemption Fund.

Delta Shores, the District and Improvement Area No. 2

General. The property in Improvement Area No. 2 is part of an approximately 782-acre new master-planned community being marketed as "Delta Shores." Delta Shores is located in the southern portion of the City, approximately 10 miles from downtown Sacramento. Delta Shores is bordered to the north by the developed Meadowview community, to the south by an open space "buffer zone" between the Sacramento Regional County Sanitation District's treatment plant, to the west by the Sacramento River, and to the east by Morrison Creek and existing communities. In 2016, a new freeway interchange and extension of Cosumnes River Boulevard (a major thoroughfare bisecting the Delta Shores site) was completed, providing direct access to the site from the Interstate 5 freeway.

Delta Shores is currently entitled for up to 5,222 residential units and 1.3 million square feet of commercial and retail space, approximately 144 acres of open space and a mixed-use town center of approximately 20 acres. At buildout, Delta Shores is expected to include approximately 2,300 for-sale low and medium density single-family homes, 1,700 high-density housing units in for-rent offerings, 1.3 million square feet of retail and commercial space, two new elementary schools, a community center, approximately 144 acres of parks, a City fire station and open space. A portion of the planned retail development within Delta Shores has been completed by the Developer (as defined below). The completed portion is located adjacent to the Interstate 5 freeway and consists of approximately 900,000 square feet of retail space and associated parking facilities.

The District consists of approximately 535 acres and includes the property within the Delta Shores community with the exception of the completed retail development described above, which is not within the District. The District is divided into three improvement areas. The first phase of the residential development of Delta Shores is included within Improvement Area No. 2. Improvement Area No. 1 is located across the Interstate 5 freeway to the west of Improvement Area No. 2 and is planned for a mix of low, medium and high-density residential developments as well as parks and open space. Improvement Area No. 3 is located to the north of Improvement Area No. 2 and is planned for a mix of low, medium and high-density residential units, parks, a community center, an elementary school and open space. ***The property in Improvement Area No. 1 and Improvement Area No. 3 is not subject to the levy of the Special Tax and is not security for the Bonds.***

Improvement Area No. 2 consists of approximately 146 gross acres and is bordered to the west by the existing retail development, to the north by Cosumnes River Boulevard and to the south and west by Delta Shores Circle. The development within Improvement Area No. 2 is planned for 421 market-rate for-sale homes, approximately 1,027 high-density residential units which are currently anticipated to be for-rent apartment units, however, such units may also be for-sale units based on current zoning. In addition, there are approximately 5.5 acres zoned for a mixed-use development with approximately 125 residential units, which the Developer currently anticipates will be for-rent units under a "build-for-rent" model as further described herein. Improvement Area No. 2 is also planned to include two parks totaling approximately 32 acres, an elementary school to be owned and operated by the Sacramento City Unified School District and a wet detention basin (which is complete).

Formation and Change Proceedings. The District was formed by the City 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. 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, development-related fees, and services. 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.

Pursuant to the Act, on August 13, 2019, the City Council adopted Resolution No. 2019-0312 (the "Resolution of Intention"), stating its intention to form the District, to designate three improvement areas therein (Improvement Area No. 1, Improvement Area No. 2 and Improvement Area No. 3), and to authorize the levy of a special tax on the taxable property within each of the improvement areas within the District. On August 13, 2019, the City Council also adopted Resolution No. 2019-0313, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed $18,800,000 with respect to Improvement Area No. 2 for the purpose of financing the acquisition, construction, expansion, improvement, or rehabilitation of certain public facilities to serve the area within the District and its neighboring areas. See "IMPROVEMENT AREA NO. 2 — Description of Authorized Facilities."

On September 24, 2019, the City Council adopted Resolution No. 2019-0371, establishing the District and designating three improvement areas therein. On October 15, 2019, the City Council adopted Resolution No. 2019-0391, which certified the mailed ballot election held for Improvement Area No. 2 of the District at which the eligible voters approved the levy of the Special Tax in accordance with a rate and method of apportionment of special tax (the "Original Rate and Method") and the issuance of bonds in an amount not to exceed $18,800,000 for Improvement Area No. 2.

On December 14, 2021, the City Council adopted Resolution No. 2021-0362, pursuant to which it determined to consider: (1) replacing the Original Rate and Method with an amended and restated rate and method of apportionment of special tax for Improvement Area No. 2 (the "Amended Rate and Method") and (2) decreasing the amount of bonded indebtedness authorized to be incurred for Improvement Area No. 2 from $18,800,000 to $18,000,000. On February 1, 2022, the City Council adopted Resolution No. 2022-0036, pursuant to which it determined that the necessary two-thirds vote of the eligible voters within Improvement Area No. 2 in a special mailed-ballot election have been received approving: (1) the levy of the Special Tax in accordance with the Amended Rate and Method, and (2) the decrease of the amount of bonded indebtedness authorized to be incurred for Improvement Area No. 2 from $18,800,000 to $18,000,000. A copy of the Amended Rate and Method is attached as Appendix A hereto.

An Amended Notice of Special Tax Lien was recorded in the office of the Clerk Recorder's office of the County of Sacramento (the "County") on February 18, 2022 as Document No. 202202180718. On February 8, 2022, the City Council adopted Ordinance No. 2022-0002 (the "Ordinance") which authorizes the levy of the Special Tax pursuant to the Amended Rate and Method. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Authorization and Pledge*."

Property Ownership and Development Status

The proposed development within Improvement Area No. 2 is the first phase of the residential development component of the Delta Shores master-planned community. The master developer within the District is M&H Realty Partners VI, L.P., a California limited partnership (the "Developer"), formed and managed by individuals of Merlone Geier Partners. The Developer has completed certain major backbone infrastructure necessary for development in Improvement Area No. 2, which includes arterial roadways surrounding the property, related traffic signal improvements, wet utilities, dry utilities and wet storm water detention ponds to serve the entire Delta Shores community. As further described herein, the collector roadways (and associated wet and dry utilities) from which the individual project sites (referred to herein as "Villages") within Improvement Area No. 2 are to be accessed, as well as all in-tract infrastructure remain to be constructed.

For planning purposes, the property in Improvement Area No. 2 has been divided into Villages. Four of the Villages are referred to herein as "MDR" (i.e. medium density residential) and are currently planned for a total of 421 single-family detached homes. Six of the project Villages are referred to herein as "HDR" (i.e. high-density residential) and are planned for a total of 1,027 high-density residential units, which are currently anticipated to be for-rent apartment units, however, such units may also be for-sale units based on current zoning. In addition, one Village is zoned for a mixed-use development with approximately 125 residential units, which the Developer currently anticipates will be for-rent units under a "build-for-rent" model as further described herein.

As of April 1, 2022, the Developer has transferred one Village (MDR 5) to "MHRP/Signature Homes, LV I, LLC" (the "Joint Venture Entity"), a joint venture entity formed with an affiliated entity of Signature Homes, Inc., a California corporation ("Signature Homes") to be developed with 87 for-sale single-family detached homes. In addition, as of such date, the Developer has entered into agreements with Signature Homes for the purchase of the balance of the MDR Villages (MDR 6, MDR 7 and MDR 8) which are planned for a total of 334 for-sale single-family detached homes. The Developer currently expects Signature Homes to acquire the property for the first phase of development in MDR 8, which is planned for 76 of the 136 units in MDR 8, in June 2022.

Pursuant to agreements between the Developer and Signature Homes, if Signature Homes acquires the property in MDR 6, MDR 7 and MDR 8, with certain exceptions as described herein, Signature Homes will be responsible for constructing the remaining infrastructure necessary to achieve buildout within MDR 6, MDR 7 and MDR 8. With respect to MDR 5, under the joint venture agreement with the Developer, Signature Homes will likewise be responsible for constructing the remaining infrastructure necessary to achieve buildout within MDR 5.

A described herein, Signature Homes Inc. and certain of its affiliated entities are referred to herein collectively, as "Signature Homes."

The Developer has not finalized development plans with respect to the property in Improvement Area No. 2 planned for high-density residential land uses (i.e., the HDR Villages) and the mixed-use Village. The Developer may convey all or a portion of such property to third-party builders and/or enter into joint ventures to develop all or a portion of such property.

The balance of the property in Improvement Area No. 2 which is not planned for residential and mixed-used development consists of property for a future elementary school site, a neighborhood park and a community park, roads and other public rights of way.

See "DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 2" and "PROPERTY OWNERSHIP."

Forward Looking Statements

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 (the "Exchange Act"), and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a "plan," "expect," "estimate," "project," "budget" or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions "IMPROVEMENT AREA NO. 2," "DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 2" and APPENDIX B — "APPRAISAL REPORT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS,

UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Sources of Payment for the Bonds

General. The Bonds and any bonds issued and secured by and payable from Net Special Tax Revenues on a parity with the Bonds (the "Parity Bonds"), are limited obligations of the City, and the interest on and principal of and redemption premiums, if any, on the Bonds and any Parity Bonds are payable solely from Net Special Tax Revenues which are derived from the Special Tax to be levied annually against the taxable property in Improvement Area No. 2, or, to the extent necessary and subject to the conditions set forth in the Indenture, from the monies on deposit in the Bond Reserve Fund. As described in this Official Statement, the Special Tax will be collected along with *ad valorem* property taxes on the tax bills mailed by the County. Although the Special Tax constitutes a lien on the property subject to taxation in Improvement Area No. 2, it does 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 Tax or that they will pay such taxes even if they are financially able to do so.

Limited Obligations. Except for Net Special Tax Revenues, no other revenues or taxes are pledged to the payment of the Bonds and any Parity Bonds. The Bonds and any Parity Bonds are not general obligations of the City but are special limited obligations of the City payable solely from the Net Special Tax Revenues and other amounts held under the Indenture, as more fully described herein.

Special Tax. As used in this Official Statement, the terms: (1) "Special Tax" means the special tax authorized to be levied and collected annually on all Taxable Land in Improvement Area No. 2 under and pursuant to the Act at the special election held within Improvement Area No. 2; (2) "Net Special Tax Revenues" means the proceeds of the Special Tax, less the Priority Administrative Expenses; and (3) "Priority Administrative Expenses" means (i) for Fiscal Year 2021-22, $20,000, and (ii) for each subsequent Fiscal Year, an amount equal to the Priority Administrative Expenses for the preceding Fiscal Year plus 3% of such amount. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax" and APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." Under the Indenture, the City will pledge to pay debt service on the Bonds and any Parity Bonds from the Net Special Tax Revenues received by or on behalf of the City and any other amounts held in the Special Tax Fund, the Bond Redemption Fund, and the Bond Reserve Fund.

The Net Special Tax Revenues is the primary security for the repayment of the Bonds and any Parity Bonds. In the event that the Special Tax is not paid when due, the only sources of funds available to pay the debt service on the Bonds and any Parity Bonds are amounts held by the Treasurer in the Special Tax Fund and the amounts held in the Bond Reserve Fund and the Bond Redemption Fund held by the Trustee under the Indenture. See "SOURCES OF PAYMENT FOR THE BONDS."

Escrow Fund. The Indenture establishes an escrow fund (the "Escrow Fund") into which $5,535,177.43 of the proceeds of the Bonds will be deposited on the date of issuance of the Bonds. Until the satisfaction of certain release tests under the Indenture, amounts in the Escrow Fund will be applied to pay interest on the Bonds maturing on September 1, 2052, bearing interest at a rate of 5.75% per annum and to which CUSIP No. 78607CAD8 has been assigned (the "Escrow Bonds"), up through and including September 1, 2024. Upon satisfaction of release tests set forth in the Indenture, amounts in the Escrow Fund will be transferred to the Acquisition and Construction Fund to finance additional facilities, to increase the balance in the Reserve Fund, and to pay interest on the Escrow Bonds. In the event that the release tests are not satisfied, amounts remaining in the Escrow Fund will be applied to redeem the Escrow Bonds in full on September 1, 2024 (the “Escrow Bonds Mandatory Redemption Date”). See “THE BONDS—Redemption” and “SOURCES OF PAYMENT FOR THE BONDS—Escrow Fund” herein for additional details with respect to the Escrow Bonds and the release tests under the Indenture for amounts in the Escrow Fund.

The Bonds, other than the Escrow Bonds, are referred to herein as the “Non-Escrow Bonds.”

Sizing of Non-Escrow Bonds and Escrow Bonds. The Non-Escrow Bonds have been sized based on the expected Net Special Tax Revenues to be generated from the property in MDR 5 and MDR 8 at buildout. Based on the current development status, the Net Special Tax Revenues that could be generated from Taxable Property in MDR 5 and MDR 8, based on a levy at the Maximum Special Tax rates, is approximately $19,000 less than the amount that could be generated from Taxable Property in such Villages after the second phase of MDR 8 is classified as Final Subdivision Property. However, as noted, below, Net Special Tax Revenues from all Taxable Property in Improvement Area No. 2 are pledged to the payment of the Bonds.

The Escrow Bonds have been sized based on the expected Net Special Tax Revenues to be generated from the property in MDR 6 and MDR 7 at buildout. As described herein, the property in MDR 5 and the first phase of MDR 8 are expected to be developed first with development in MDR 6, MDR 7 and the second phase of MDR 8 to follow. The sizing of the Escrow Bonds and the Non-Escrow Bonds do not assume any Net Special Tax Revenue from the HDR Villages and the mixed-use Village. Notwithstanding such structuring of the Non-Escrow Bonds and the Escrow Bonds, Net Special Tax Revenues from all Taxable Property in Improvement Area No. 2 are pledged to the payment of the Bonds.

Foreclosure Covenant. The City will covenant in the Indenture to, annually on or before October 1 of each year, review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by one thousand five hundred thirty dollars ($1,530) or more for Fiscal Year 2021-22, which dollar amount shall escalate by two percent (2.0%) per annum for each Fiscal Year after Fiscal Year 2021-22, in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the City determines that the total amount so collected is less than 95% of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale in accordance with the Act.

The City is not obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City has received 100% of the amount of the installment from the County under the Teeter Plan (as defined below). Improvement Area No. 2 is currently included in the County’s Teeter Plan (as defined below). See “SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan” and “SPECIAL RISK FACTORS — Teeter Plan Termination.”

See “SOURCES OF PAYMENT FOR THE BONDS — Special Tax —*Foreclosure Covenant*” herein and APPENDIX F — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens.” There is no assurance that the property within Improvement Area No. 2 can be sold for the appraised or assessed values described in this Official Statement and in the Appraisal Report (as defined herein), or for a price sufficient to provide monies to pay the principal of and interest on the Bonds in the event of a default in payment of the Special Tax by current or future landowners within Improvement Area No. 2. See “SPECIAL RISK FACTORS — Property Values” and APPENDIX B — “APPRAISAL REPORT.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE NET SPECIAL TAX REVENUES AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Parity Bonds and Additional Liens. Under the terms of the Indenture, the City may issue Parity Bonds secured by Net Special Tax Revenues on a parity with the Bonds if certain conditions are met. See "SOURCES OF PAYMENT FOR THE BONDS — Issuance of Parity Bonds." Parity Bonds may be issued by means of a supplemental indenture and without any requirement for the consent of any Holders. See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Conditions for the Issuance of Bonds." Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Tax have been levied and may also be levied in the future on the property within Improvement Area No. 2, which could adversely affect the ability and willingness of the landowners to pay the Special Tax when due. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments."

Appraisal Report

An MAI appraisal (the "Appraisal Report") of the real property that is subject to the lien of the Special Tax in Improvement Area No. 2 was prepared by BBG, Inc., Sacramento, California (the "Appraiser"). The Appraisal Report is dated May 19, 2022 and has a date of value of April 1, 2022 (the "Date of Value"). See APPENDIX B — "APPRAISAL REPORT." The Appraisal Report provides an estimate of market value by ownership for the properties in Improvement Area No. 2 that are subject to the lien of the Special Tax. Based on current expectations, the development in Improvement Area No. 2 is expected to consist of 421 for-sale residential units, a mixed-use Village of approximately 125 for-rent residential units and approximately 1,027 for-rent apartment units. As of the Date of Value, the Appraiser estimates that the aggregate value of all of the Taxable Property (as defined in the Amended Rate and Method) within Improvement Area No. 2 subject to the Special Tax was not less than $35,000,000.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in APPENDIX B. The City makes no representations as to the accuracy of the Appraisal Report. See "IMPROVEMENT AREA NO. 2 — Property Values" and "—Value-to-Lien Ratios." There is no assurance that any property within Improvement Area No. 2 can be sold for the estimated values set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to provide monies to pay the Special Tax for that parcel in the event of a default in payment of the Special Tax by the landowner. See "IMPROVEMENT AREA NO. 2," "SPECIAL RISK FACTORS — Property Values" and APPENDIX B — "APPRAISAL REPORT."

Market Absorption Report

In order to provide information with respect to the potential market demand for the proposed development within Improvement Area No. 2, the City retained John Burns Real Estate Consulting, Folsom, California (the "Market Absorption Consultant") to conduct an absorption analysis and to prepare a report with respect thereto. The Market Absorption Consultant prepared a report dated as of April 19, 2022 (the "Market Absorption Report"). The Market Absorption Report is attached to this Official Statement as Appendix J. The Market Absorption Study assumes that Improvement Area No. 2 will be developed with 421 for-sale residential units, 1,027 for-rent high-density for-rent apartment units and 125 for-rent units in the mixed-use Village. However, based on current zoning, the 1,027 apartment units and the 125 units in the mixed-used Village that are currently anticipated to be for-rent units may be developed into for-sale or for-rent units, or a combination thereof.

Based on the assumptions and subject to the limiting conditions set forth in the Market Absorption Study, the Market Absorption Consultant estimates that the 421 proposed for-sale homes within Improvement Area No. 2 will be closed out in 2026 and the 1,027 for-rent apartment units will achieve stabilized occupancy by approximately 2029-2033. Based on the Developer's estimate of the sale of the mixed-use Village to a builder in the fourth quarter of 2024, the Market Absorption Consultant estimates that the 125 for-rent units planned therein will achieve stabilized occupancy in the first quarter of 2027.

The conclusions set forth in the Market Absorption Report are based upon various expected economic and real estate factors. If any of these and other factors are not achieved, the rates of absorption set forth in the Market Absorption Report could be adversely affected. See Appendix J—"MARKET ABSORPTION REPORT."

Description of the Bonds

The 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 actual purchasers of the Bonds (the "Beneficial Owners") in integral multiples of $5,000, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in Appendix I. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See APPENDIX I — "BOOK-ENTRY ONLY SYSTEM."

Principal of, premium, if any, and interest on the Bonds are 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 Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Trustee, all as provided in the Indenture.

The Bonds are subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described herein. See "THE BONDS — Redemption." For more complete descriptions of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see "THE BONDS" and APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Professionals Involved in the Offering

U.S. Bank Trust Company, National Association, San Francisco, California, will act as Trustee under the Indenture. Piper Sandler & Co. is the underwriter (the "Underwriter") of the Bonds. The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City in connection with the issuance of the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the City with respect to the Bonds. Certain legal matters will be passed on for the City by the Office of the City Attorney, for the Underwriter by Best Best & Krieger LLP, Riverside, California, as counsel to the Underwriter, for the Developer by the Law Offices of Thatch & Hooper, LLP, Sacramento, California, for Signature Homes by Ironhorse Law Group PC and for the Trustee by its counsel. Other professional services have been performed by BBG, Inc., Sacramento, California, as the Appraiser, John Burns Real Estate Consulting, Folsom, California as Market Absorption Consultant, Fieldman, Rolapp & Associates, Inc., Irvine, California as municipal advisor to the City and NBS, Temecula, California, as Special Tax Consultant.

For information concerning respects in which certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see "FINANCIAL INTERESTS" herein.

Continuing Disclosure

The City has agreed to provide, or cause to be provided, pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission (the "Rule") certain financial information and operating data on an annual basis (the "City Reports"). The City has further agreed to provide, in a timely manner, notice of certain events with respect to the Bonds (the "Listed Events"). These covenants have been made in order to assist the Underwriter in complying with the Rule. The City Reports will be filed with the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB") available on the Internet at http://emma.msrb.org. Notices of Listed Events will also be filed with the MSRB on EMMA. Within the last five years, the City and certain related entities have failed to comply in certain respects with prior continuing disclosure undertakings. See "CONTINUING DISCLOSURE."

The Underwriter does not consider the Developer or Signature Homes to be an "obligated person" with respect to the Bonds for purposes of the Rule. To assist in the marketing of the Bonds, the Developer and Signature Homes will each execute and deliver a continuing disclosure undertaking pursuant to which they will agree to provide, or cause to be provided on EMMA, updated information relating to their respective property in Improvement Area No. 2 (the "Developer Reports" and together with the City Reports, the "Reports") on a semiannual basis, and notices of certain events.

See "CONTINUING DISCLOSURE" and APPENDIX G and APPENDIX H for a description of the specific nature of the annual reports to be filed by the City, the Developer and Signature Homes, notices of Listed Events and the forms of the continuing disclosure undertakings pursuant to which such Reports are to be made.

Bond Holders' Risks

Certain events could affect the ability of the City to collect the Special Tax in an amount sufficient to pay the principal of and interest on the 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 Bonds. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves significant risks, and the Bonds may not be appropriate investments for certain investors. See "SPECIAL RISK FACTORS."

Other Information

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

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds and the constitution and laws of the State as well as the proceedings of the City Council, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Copies of the Indenture and other documents and information are available for inspection and (upon request and payment to the City of a charge for copying, mailing and handling) for delivery from the City Treasurer's Office at 915 I Street, Historic City Hall, 3rd Floor, Sacramento, California 95814.

THE FINANCING PLAN

Authorized Facilities and Fees

A portion of the proceeds of the Bonds will be applied to finance the costs of the acquisition and construction of certain facilities authorized under the Act which include without limitation, water and storm drain improvements, roadways and traffic improvements, landscaping and park improvements, in addition to other improvements authorized under the Acquisition Agreement described below. See "IMPROVEMENT AREA NO. 2 — Description of Authorized Facilities."

Estimated Sources and Uses of Funds

The following table sets forth the expected sources and uses of Bond proceeds.

Sources of Funds:	***Non-Escrow Bonds***	***Escrow Bonds***	***Totals***
Principal Amount of Bonds	$ 5,315,000.00	$ 4,915,000.00	$ 10,230,000.00
Less Original Issue Discount	(181,077.75)	--	(181,077.75)
Total Sources	**$ 5,133,922.25**	**$ 4,915,000.00**	**$ 10,048,922.25**
Uses of Funds:			
Acquisition and Construction Fund	$ 3,004,995.94	$ --	$ 3,004,995.94
Bond Redemption Fund(1)	128,722.22	--	128,722.22
Escrow Fund(2)	620,177.43	4,915,000.00	5,535,177.43
Costs of Issuance(3)	889,915.14	--	889,915.14
Bond Reserve Fund(4)	490,111.52	--	490,111.52
Total Uses	**$ 5,133,922.25**	**$ 4,915,000.00**	**$ 10,048,922.25**

(1) Amount represents capitalized interest on the Non-Escrow Bonds through and including December 1, 2022.

(2) Amounts in the Escrow Fund will be used to pay interest on the Escrow Bonds up through and including September 1, 2024, to the extent such funds are not disbursed from the Escrow Fund to the Acquisition and Construction Fund and the Bond Reserve Fund. See "SOURCES OF PAYMENT FOR THE BONDS — Escrow Fund."

(3) Includes Underwriter's discount, Bond Counsel, Disclosure Counsel, Special Tax Consultant, Municipal Advisor and Trustee fees, appraisal costs, printing costs and other issuance costs. This amount includes issuance costs of the Non-Escrow and Escrow Bonds.

(4) Does not include the Reserve Requirement on the Escrow Bonds. If and when the amounts are released from the Escrow Fund to the Acquisition and Construction Fund upon satisfaction of certain conditions, a certain amount will be transferred from the Escrow Fund and be deposited in the Bond Reserve Fund of the Special Tax Fund. See "SOURCES OF PAYMENT FOR THE BONDS — Escrow Fund."

Source: The Underwriter.

THE BONDS

General Provisions

The Bonds will be dated as of their date of delivery and will bear interest at the rates per annum, payable semiannually on each March 1 and September 1, commencing on September 1, 2022 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates, all as set forth on the inside cover page of this Official Statement. Interest on the Non-Escrow Bonds is being capitalized through and including December 1, 2022. Interest on the Escrow Bonds for a certain period will be paid from amounts transferred from the Escrow Fund as described under "SOURCES OF PAYMENT FOR THE BONDS — Escrow Fund."

Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless it is authenticated on a day during the period from the 16th day of the month next preceding an Interest Payment Date to such Interest Payment Date, both dates inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on a day on or before the 15th day of the month next preceding the first Interest Payment Date, in which event it shall bear interest from its date; provided, that if at the time of authentication of any Bond interest is then in default on any Outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof at the close of business as of the Record Date, meaning the 15th day of the month next preceding any Interest Payment Date. Such interest will be paid by check of the Trustee mailed by first class mail to such registered owner at his address as it appears on such books, except that in the case of a Holder of $1,000,000 or more in aggregate principal amount of Outstanding Bonds, payment shall be made at such Holder's option by federal wire transfer of immediately available funds according to written instructions provided by such Holder to the Trustee at least 15 days before such Interest Payment Date to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America.

Payment of the principal of and redemption premiums, if any, on the Bonds shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof, such principal and redemption premiums, if any, to be paid only on the surrender of the Bonds at the Principal Corporate Trust Office of the Trustee at maturity or on redemption prior to maturity.

The Bonds will be issued as fully registered bonds without coupons and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of $5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC's procedures and the procedures of DTC's Participants. See APPENDIX I — "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Bonds maturing on or after September 1, 2032, are subject to optional redemption by the City before their respective stated maturity dates, as a whole or in part on any date on or after September 1, 2029, from any source of available funds other than prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

Redemption Dates	***Redemption Price***
September 1, 2029, through and including August 31, 2030	103%
September 1, 2030, through and including August 31, 2031	102
September 1, 2031, through and including August 31, 2032	101
September 1, 2032, and any date thereafter	100

Extraordinary Redemption from Special Tax Prepayments. The Bonds are subject to extraordinary redemption by the City before their respective stated maturity dates, as a whole or in part on any Interest Payment Date, solely from prepayments of the Special Tax, upon mailed notice as provided in the Indenture, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest to the date of redemption:

Redemption Dates	*Redemption Price*
Any Interest Payment Date from September 1, 2022 through and including March 1, 2030	103%
September 1, 2030, and March 1, 2031	102
September 1, 2031, and March 1, 2032	101
September 1, 2032, and any Interest Payment Date thereafter	100

See the caption "SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments or Bond Proceeds" for a discussion of the potential for a lower than expected yield on the Bonds as a result of a special mandatory redemption from prepayment of the Special Tax.

Mandatory Sinking Fund Redemption. The Non-Escrow Bonds maturing on September 1, 2032, are subject to mandatory redemption by the City before their stated maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Sinking Fund Redemption Date (September 1)	*Sinking Fund Payments*
2023	$ 5,000
2024	10,000
2025	15,000
2026	25,000
2027	30,000
2028	35,000
2029	45,000
2030	55,000
2031	65,000
2032 (maturity)	75,000

The Non-Escrow Bonds maturing on September 1, 2052, are subject to mandatory redemption by the City before their stated maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Sinking Fund Redemption Date (September 1)	*Sinking Fund Payments*
2033	$ 85,000
2034	95,000
2035	105,000
2036	120,000
2037	135,000
2038	150,000
2039	165,000
2040	180,000
2041	200,000
2042	215,000
2043	235,000
2044	260,000
2045	280,000

Sinking Fund Redemption Date (September 1)	***Sinking Fund Payments***
2046	305,000
2047	330,000
2048	360,000
2049	385,000
2050	415,000
2051	450,000
2052 (maturity)	485,000

The Escrow Bonds are subject to mandatory redemption by the City before their stated maturity date in part on each September 1, as set forth in the schedule below, solely from Sinking Fund Account Payments established under the Indenture for that purpose, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Sinking Fund Redemption Date (September 1)	***Sinking Fund Payments***
2025	$ 5,000
2026	15,000
2027	20,000
2028	25,000
2029	35,000
2030	45,000
2031	50,000
2032	60,000
2033	70,000
2034	85,000
2035	95,000
2036	105,000
2037	120,000
2038	135,000
2039	150,000
2040	165,000
2041	185,000
2042	200,000
2043	220,000
2044	245,000
2045	265,000
2046	290,000
2047	315,000
2048	340,000
2049	370,000
2050	400,000
2051	435,000
2052 (maturity)	470,000

Mandatory Redemption of Escrow Bonds from Escrow Fund. The Escrow Bonds are subject to mandatory redemption by the City and shall be redeemed by the City before their stated maturity date, in whole on the Escrow Bonds Mandatory Redemption Date (September 1, 2024) if the City has not delivered to the Trustee an Escrow Fund Release Certificate on or before the Escrow Fund Release Cut-Off Date (June 1, 2024), but solely from amounts on deposit in the Escrow Fund on the Escrow Bonds Mandatory Redemption

Date, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount thereof, together with accrued interest thereon to the Escrow Bonds Mandatory Redemption Date, without premium. See "SOURCES OF PAYMENT FOR THE BONDS — Escrow Fund."

Selection of Bonds for Redemption. If less than all of the Bonds outstanding are to be redeemed at the option of the City at any one time, the City will select the maturity date or dates of the Bonds to be redeemed. If less than all of the Bonds of any one maturity date are to be redeemed at any one time, the Trustee shall select the Bonds or the portions thereof of such maturity date to be redeemed in integral multiples of $5,000 in any manner that the Trustee deems appropriate.

Notice of Redemption. When Bonds are to be redeemed under the Indenture, the Trustee shall give notice of the redemption of such Bonds. The notice of redemption must state the date of the notice, the Bonds to be redeemed, the date of issue of the Bonds, the redemption date, the redemption price, the place of redemption (being the address of the Principal Corporate Trust Office of the Trustee), the CUSIP number (if any) of the maturity or maturities and, if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. The notice must further state that interest on the Bonds to be redeemed or the portions thereof will not accrue from and after the date of redemption and that all Bonds must be surrendered for redemption at the Principal Corporate Trust Office of the Trustee for payment of the redemption price thereof. If any Bond chosen for redemption is not redeemable in whole, the notice must state that the Bond is to be redeemed in part only and that upon presentation of the Bond for redemption there will be issued in lieu of the unredeemed portion of principal a new Bond or Bonds of the same series and maturity date of authorized denominations equal in aggregate principal amount to the unredeemed portion.

At least 30 days but no more than 90 days before the redemption date, the Trustee shall mail a copy of such notice by first-class mail, postage prepaid, to (a) the Holders of all Bonds selected for redemption at their addresses appearing on the register maintained by the Trustee in accordance with the Indenture, (b) the securities information services selected by the City in accordance with the Indenture, and (c) the Underwriter. Neither the failure to receive any such notice nor any immaterial defect in such notice will affect the sufficiency or validity of the proceedings for redemption.

Notwithstanding anything to the contrary contained in the Indenture, with respect to any notice of optional or extraordinary redemption of Bonds, unless, upon the giving of such notice, such Bonds are deemed to have been paid within the meaning of the Indenture, such notice will state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such amounts are not received the notice will be of no force and effect and the City will not be required to redeem such Bonds. In the event that any such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the same manner, and to the same parties, as the notice of redemption was given. Such failure to redeem such Bonds shall not constitute an event of default under the Indenture.

Notwithstanding anything to the contrary contained in the Indenture, any notice of optional or extraordinary redemption of Bonds may be rescinded by written notice given to the Trustee by the City no later than five Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such redemption was given.

Effect of Redemption. If notice of redemption is given as provided in the Indenture and the money necessary for the payment of the principal of, and any redemption premiums and interest to the redemption date on, the Bonds or portions thereof so called for redemption is held by the Trustee, then on the redemption date the Bonds called for redemption or portions thereof will become due and payable, and from and after the redemption date interest on those Bonds or such portions thereof will cease to accrue and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the principal or such portions thereof and the redemption premiums, if any, thereon and the interest accrued thereon to the redemption date.

DEBT SERVICE SCHEDULE

The following table presents the semi-annual debt service on the Bonds (including sinking fund redemption), assuming there are no optional or extraordinary redemptions and assuming that the City delivers an Escrow Fund Release Certificate to the Trustee after June 1, 2023 but on or before the Escrow Fund Release Cut-Off Date (June 1, 2024), which would allow amounts to be released from the Escrow Fund to the Acquisition and Construction Fund with respect to the Escrow Bonds. It should be noted, however, that the Indenture requires redemption of the Escrow Bonds from amounts transferred from the Escrow Fund should the conditions to the release of amounts in the Escrow Fund to the Acquisition and Construction Fund not be satisfied. Interest on the Bonds, other than the Escrow Bonds, through and including December 1, 2022, will be paid from capitalized interest. Unless otherwise released, interest on the Escrow Bonds up through and including September 1, 2024, will be paid from amounts transferred from the Escrow Fund.

See "SOURCES OF PAYMENT FOR THE BONDS—Escrow Fund" and "THE BONDS—Redemption."

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Date	*Non-Escrow Bonds Principal*	*Non-Escrow Bonds Interest*	*Escrow Bonds Principal*	*Escrow Bonds Interest*	*Total Principal*	*Total Interest*	*Total Debt Service*
9/1/2022	--	$ 56,315.97	--	$ 54,952.43	--	$ 111,268.40	$ 111,268.40
3/1/2023	--	144,812.50	--	141,306.25	--	286,118.75	286,118.75
9/1/2023	$ 5,000	144,812.50	--	141,306.25	$ 5,000	286,118.75	291,118.75
3/1/2024	--	144,693.75	--	141,306.25	--	286,000.00	286,000.00
9/1/2024	10,000	144,693.75	--	141,306.25	10,000	286,000.00	296,000.00
3/1/2025	--	144,456.25	--	141,306.25	--	285,762.50	285,762.50
9/1/2025	15,000	144,456.25	$ 5,000	141,306.25	20,000	285,762.50	305,762.50
3/1/2026	--	144,100.00	--	141,162.50	--	285,262.50	285,262.50
9/1/2026	25,000	144,100.00	15,000	141,162.50	40,000	285,262.50	325,262.50
3/1/2027	--	143,506.25	--	140,731.25	--	284,237.50	284,237.50
9/1/2027	30,000	143,506.25	20,000	140,731.25	50,000	284,237.50	334,237.50
3/1/2028	--	142,793.75	--	140,156.25	--	282,950.00	282,950.00
9/1/2028	35,000	142,793.75	25,000	140,156.25	60,000	282,950.00	342,950.00
3/1/2029	--	141,962.50	--	139,437.50	--	281,400.00	281,400.00
9/1/2029	45,000	141,962.50	35,000	139,437.50	80,000	281,400.00	361,400.00
3/1/2030	--	140,893.75	--	138,431.25	--	279,325.00	279,325.00
9/1/2030	55,000	140,893.75	45,000	138,431.25	100,000	279,325.00	379,325.00
3/1/2031	--	139,587.50	--	137,137.50	--	276,725.00	276,725.00
9/1/2031	65,000	139,587.50	50,000	137,137.50	115,000	276,725.00	391,725.00
3/1/2032	--	138,043.75	--	135,700.00	--	273,743.75	273,743.75
9/1/2032	75,000	138,043.75	60,000	135,700.00	135,000	273,743.75	408,743.75
3/1/2033	--	136,262.50	--	133,975.00	--	270,237.50	270,237.50
9/1/2033	85,000	136,262.50	70,000	133,975.00	155,000	270,237.50	425,237.50
3/1/2034	--	133,925.00	--	131,962.50	--	265,887.50	265,887.50
9/1/2034	95,000	133,925.00	85,000	131,962.50	180,000	265,887.50	445,887.50
3/1/2035	--	131,312.50	--	129,518.75	--	260,831.25	260,831.25
9/1/2035	105,000	131,312.50	95,000	129,518.75	200,000	260,831.25	460,831.25
3/1/2036	--	128,425.00	--	126,787.50	--	255,212.50	255,212.50
9/1/2036	120,000	128,425.00	105,000	126,787.50	225,000	255,212.50	480,212.50
3/1/2037	--	125,125.00	--	123,768.75	--	248,893.75	248,893.75
9/1/2037	135,000	125,125.00	120,000	123,768.75	255,000	248,893.75	503,893.75
3/1/2038	--	121,412.50	--	120,318.75	--	241,731.25	241,731.25
9/1/2038	150,000	121,412.50	135,000	120,318.75	285,000	241,731.25	526,731.25
3/1/2039	--	117,287.50	--	116,437.50	--	233,725.00	233,725.00
9/1/2039	165,000	117,287.50	150,000	116,437.50	315,000	233,725.00	548,725.00
3/1/2040	--	112,750.00	--	112,125.00		224,875.00	224,875.00

Date	*Non-Escrow Bonds Principal*	*Non-Escrow Bonds Interest*	*Escrow Bonds Principal*	*Escrow Bonds Interest*	*Total Principal*	*Total Interest*	*Total Debt Service*
9/1/2040	180,000	112,750.00	165,000	112,125.00	345,000	224,875.00	569,875.00
3/1/2041	--	107,800.00	--	107,381.25	--	215,181.25	215,181.25
9/1/2041	200,000	107,800.00	185,000	107,381.25	385,000	215,181.25	600,181.25
3/1/2042	--	102,300.00	--	102,062.50	--	204,362.50	204,362.50
9/1/2042	215,000	102,300.00	200,000	102,062.50	415,000	204,362.50	619,362.50
3/1/2043	--	96,387.50	--	96,312.50	--	192,700.00	192,700.00
9/1/2043	235,000	96,387.50	220,000	96,312.50	455,000	192,700.00	647,700.00
3/1/2044	--	89,925.00	--	89,987.50	--	179,912.50	179,912.50
9/1/2044	260,000	89,925.00	245,000	89,987.50	505,000	179,912.50	684,912.50
3/1/2045	--	82,775.00	--	82,943.75	--	165,718.75	165,718.75
9/1/2045	280,000	82,775.00	265,000	82,943.75	545,000	165,718.75	710,718.75
3/1/2046	--	75,075.00	--	75,325.00	--	150,400.00	150,400.00
9/1/2046	305,000	75,075.00	290,000	75,325.00	595,000	150,400.00	745,400.00
3/1/2047	--	66,687.50	--	66,987.50	--	133,675.00	133,675.00
9/1/2047	330,000	66,687.50	315,000	66,987.50	645,000	133,675.00	778,675.00
3/1/2048	--	57,612.50	--	57,931.25	--	115,543.75	115,543.75
9/1/2048	360,000	57,612.50	340,000	57,931.25	700,000	115,543.75	815,543.75
3/1/2049	--	47,712.50	--	48,156.25	--	95,868.75	95,868.75
9/1/2049	385,000	47,712.50	370,000	48,156.25	755,000	95,868.75	850,868.75
3/1/2050	--	37,125.00	--	37,518.75	--	74,643.75	74,643.75
9/1/2050	415,000	37,125.00	400,000	37,518.75	815,000	74,643.75	889,643.75
3/1/2051	--	25,712.50	--	26,018.75	--	51,731.25	51,731.25
9/1/2051	450,000	25,712.50	435,000	26,018.75	885,000	51,731.25	936,731.25
3/1/2052	--	13,337.50	--	13,512.50	--	26,850.00	26,850.00
9/1/2052	485,000	13,337.50	470,000	13,512.50	955,000	26,850.00	981,850.00
Totals	**$5,315,000**	**$6,523,915.97**	**$4,915,000**	**$6,446,364.93**	**$10,230,000**	**$12,970,280.90**	**$23,200,280.90**

Source: The Underwriter.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are payable from and secured by Net Special Tax Revenues and by amounts on deposit in the Special Tax Fund, the Bond Redemption Fund and the Bond Reserve Fund. The Bonds are not secured by monies on deposit in the Expense Fund, the Rebate Fund or the Acquisition and Construction Fund established by the Indenture.

The Indenture defines the terms: (1) "Special Tax" to mean the special tax authorized to be levied and collected annually on all Taxable Land in Improvement Area No. 2 under and pursuant to the Act at the special election held within Improvement Area No. 2; (2) "Net Special Tax Revenues" to mean the proceeds of the Special Tax, less the Priority Administrative Expenses; and (3) "Priority Administrative Expenses" to mean (i) for Fiscal Year 2021-22, $20,000, and (ii) for each subsequent Fiscal Year, an amount equal to the Priority Administrative Expenses for the preceding Fiscal Year plus 3% of such amount.

See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions." Special taxes levied in Improvement Area No. 1 and Improvement Area No. 3 of the District are not pledged to and are not available to pay debt service on the Bonds.

The City is legally authorized and has covenanted in the Indenture to cause the levy and collection of the Special Tax in an amount determined according to the Amended Rate and Method. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax" and "SPECIAL RISK FACTORS — Proposition 218" below. The Amended Rate and Method apportions the total amount of the Special Tax to be collected among the Taxable Property in Improvement Area No. 2. See "—Special Tax" and APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Although the Special Tax will be levied against Taxable Property within Improvement Area No. 2, it does not constitute a personal indebtedness of the property owners. There is no assurance that the property owners will be able to pay the Special Tax or that they will pay it even if able to do so. See "SPECIAL RISK FACTORS" herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SACRAMENTO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE NET SPECIAL TAX REVENUES AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Special Tax

Authorization and Pledge. In accordance with the provisions of the Act, the City established the District and designated various improvement areas therein, including Improvement Area No. 2, on September 24, 2019, for the purpose of financing the various public improvements benefitting the proposed development within the District. Subsequent to the establishment of the District, the City undertook change proceedings pursuant to which the eligible voters approved the levy of the Special Tax in accordance with the Amended Rate and Method and the decrease of the amount of bonded indebtedness authorized to be incurred for Improvement Area No. 2 from $18,800,000 to $18,000,000 to finance the facilities.

The City will covenant in the Indenture, so long as any Bonds are Outstanding, to annually levy the Special Tax against all Taxable Land in Improvement Area No. 2 in accordance with the Amended Rate and

Method and, subject to the limitations in the Amended Rate and Method and the Act, make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Bond Redemption Fund or on deposit with the Trustee for transfer to the Bond Redemption Fund, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indenture, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund and to pay all current Expenses as they become due and payable in accordance with the provisions and terms of the Indenture.

The Special Tax is collected in the same manner as *ad valorem* property taxes for the County and, except as otherwise provided in the Indenture or by the Act, is subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes. See APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Under the Indenture, except as described below all proceeds of the Special Tax are to be deposited in the Special Tax Fund, which is being established under the Indenture and is held and maintained in trust by the City Treasurer. The City agrees in the Indenture to deposit all proceeds of the Special Tax in the Special Tax Fund when and as received and to transfer all amounts in the Special Tax Fund into the following funds in the following order of priority:

(1) to the Expense Fund in an amount equal to the Priority Administrative Expenses for the Fiscal Year,

(2) to the Bond Redemption Fund to pay debt service payments on all outstanding Bonds and any Parity Bonds,

(3) to the Bond Reserve Fund to the extent necessary to replenish the Bond Reserve Fund to the Required Bond Reserve,

(4) to the Expense Fund, to the extent Expenses were not already funded or reimbursed by the deposit of Priority Administrative Expenses in (1) above, and

(5) to the Community Facilities Fund.

On or before each March 1 and September 1, the Treasurer will, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds and Parity Bonds on that March 1 and September 1. On or before each September 1, the Treasurer will, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on that September 1, plus the aggregate of the Sinking Fund Account Payments required by the Indenture to be made on that September 1 into the Sinking Fund Account.

All of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds and Parity Bonds on such date, or in the event that the money in the Bond Redemption Fund on any September 1 is not equal to the amount of principal of the Bonds and Parity Bonds becoming due on such date plus the amount of the Sinking Fund Account Payments becoming due on such date, as the case may be, then such money shall be applied pro rata in such proportion as such interest and principal and Sinking Fund Account Payments bear to each other.

No deposit needs to be made into the Bond Redemption Fund if the amount of money contained in the Bond Redemption Fund is at least equal to the amount required by the Indenture to be deposited in the Bond Redemption Fund at the times and in the amounts described above.

Notwithstanding anything to the contrary in the Indenture, as soon as practicable after the receipt by the City of any prepayment of the Special Tax, the Treasurer shall (i) deposit any component thereof representing the "Future Facilities Amount" (as defined in the Amended Rate and Method) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the "Administrative Fees and Expenses" (as defined in the Amended Rate and Method) in the Expense Fund, and (iii) transfer to the Trustee for deposit in the Bond Redemption Fund, any remaining amounts, for the extraordinary redemption of Bonds or Parity Bonds pursuant to the terms of any Supplemental Indenture.

The Special Tax levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Amended Rate and Method. See APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption "— *Limitation on Special Tax Levy*" below and "SPECIAL RISK FACTORS — Insufficiency of Special Tax" herein.

Amended and Restated Rate and Method of Apportionment of Special Tax. The City is legally authorized and will covenant to cause the levy of the Special Tax in an amount determined according to a methodology, i.e., the Amended Rate and Method which the City Council and the electors within Improvement Area No. 2 have approved. The Amended Rate and Method apportions the total amount of the Special Tax to be collected among the Taxable Property in Improvement Area No. 2 as more particularly described below.

The following is a synopsis of the provisions of the Amended Rate and Method for Improvement Area No. 2, which should be read in conjunction with the complete text of the Amended Rate and Method which is attached as APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The definitions of the capitalized terms used under this caption "— *Amended and Restated Rate and Method of Apportionment of Special Tax*" are as set forth in APPENDIX A. This section provides only a summary of the Amended Rate and Method, and is qualified by more complete and detailed information contained in the entire Amended Rate and Method attached as APPENDIX A.

Assignment to Land Use Categories. Each Fiscal Year, all Taxable Property within Improvement Area No. 2 shall be classified as Developed Property, Final Subdivision Property, Taxable Contingent Property, Tentative Map Property or Undeveloped Property.

Exemptions. No Special Tax shall be levied on up to 55.12 Acres of Non-Residential Property, Open Space Property, Property Owner Association Property, and Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Non-Residential Property, Open Space Property, Property Owner Association Property, or Public Property. For the following property types in excess of the 55.12 Acres exempted under the Amended Rate and Method, Non-Residential Property, Open Space Property, Property Owner Association Property, or Public Property that is not exempt from the Special Tax under the Amended Rate and Method, or pursuant to the Act, shall be classified as Taxable Contingent Property. In addition, no Special Tax shall be levied on Welfare Exempt Property under the conditions set forth in the Amended Rate and Method. See Section E of the Amended Rate and Method attached as Appendix A hereto for a detailed description of exempt property in Improvement Area No. 2.

Maximum Special Tax for Taxable Contingent Property, Tentative Map Property, and Undeveloped Property. The Maximum Special Tax for each Assessor's Parcel of Taxable Contingent Property, Tentative Map Property and Undeveloped Property will be $10,384 per Acre in Fiscal Year 2022-23. The Maximum

Special Tax for Taxable Contingent Property, Tentative Map Property and Undeveloped Property increases by 2% on July 1 of each year. See the Amended Rate and Method attached as APPENDIX A.

Maximum Special Tax for Developed Property and Final Subdivision Property. The Maximum Special Tax for each Assessor's Parcel of Developed Property and Final Subdivision Property shall be the greater of (1) the Assigned Special Tax, or (2) the Backup Special Tax. The Assigned Special Tax rates for Developed Property and Final Subdivision Property are set forth in Tables 1 and 2 to the Amended Rate and Method. The Assigned Special Tax rates increase by 2% on July 1 of each year. See the Amended Rate and Method attached as APPENDIX A.

The Backup Special Tax per Village for each Assessor's Parcel of Developed Property and Final Subdivision Property, is calculated as follows:

Backup Special Tax = Expected Revenue / Units on Developed Property and/or Units expected on Final Subdivision Property.

For each Village, by reference to Exhibit 1 to the Amended Rate and Method, should the number of Units be less than the Expected Units when all Assessor's Parcels are classified as Developed Property, the Backup Special Tax per Unit shall be adjusted so that the Backup Special Tax per Unit is sufficient to generate the Expected Revenue in any Fiscal Year. Each Fiscal Year, the CFD Administrator shall update Exhibit 1 to the Amended Rate and Method with the revised Units and Expected Revenue to be derived from each Village.

Notwithstanding the foregoing, once an Assessor's Parcel is used for private residential purposes (as determined by the Act), the Backup Special Tax for the Assessor's Parcel cannot be increased because of future reductions in the number of Units on other Assessor's Parcels. The increases to the Backup Special Tax by 2.0% per Fiscal Year pursuant to the Amended Rate and Method would still apply to such Assessor's Parcel.

Changes to Land Use Class. After a Bond sale, if a Land Use Class change is proposed or identified, the following must be applied:

If the revenues calculated are higher than those reflected in Exhibit 1 or less than those calculated in Exhibit 1, but the reduction in Expected Revenues does not reduce debt service coverage below the required 110% debt service coverage, no further action is needed, and the CFD Administrator shall update Exhibit 1 to show the revised Expected Revenues.

If the revenues calculated are less than those reflected in Exhibit 1, and the CFD Administrator determines that the reduction in Expected Revenues would reduce debt service coverage below the required 110% debt service coverage the Special Tax levied on the Parcel subject to a Land Use Class change will need to be paid and one of the following shall occur: (i) The landowner requesting the Land Use Class change may make a prepayment in an amount that will ensure that the reduced Expected Revenues are sufficient to meet the required 110% debt service coverage or (ii) If a prepayment is not selected, the Assigned Special Tax on the Parcel or Parcels subject to the Land Use Class change shall be increased proportionately until the Expected Revenues are sufficient to maintain the required 110% debt service coverage. Notwithstanding the foregoing, once an Assessor's Parcel is used for private residential purposes (as determined pursuant to the Act), the Maximum Special Tax for the Assessor's Parcel cannot be increased because of future Land Use Class changes for other Assessor's Parcels.

Method of Apportionment of Special Tax. Each Fiscal Year, the CFD Administrator shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of the Special Tax levied equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at a rate up to 100% of the greater of the applicable Assigned Special Tax or the applicable Backup Special Tax to satisfy the Special Tax Requirement;

Second: If additional monies are needed in order to meet the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Final Subdivision Property at a rate of up to 100% of the greater of the applicable Assigned Special Tax or the applicable Backup Special Tax for Final Subdivision Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on all Tentative Map Property at a rate up to 100% of the Maximum Special Tax for Tentative Map Property; and

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax shall be levied Proportionately on all Undeveloped Property at a rate up to 100% of the Maximum Special Tax for Undeveloped Property; and

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on all Taxable Contingent Property at a rate up to 100% of the Maximum Special Tax for Taxable Contingent Property.

Prepayment of Annual Special Tax. The Annual Special Tax obligation for an Assessor's Parcel of Developed Property, Final Subdivision Property, Taxable Contingent Property, Tentative Map Property, or Undeveloped Property may be prepaid in full, or in part, provided that the terms set forth under the Amended Rate and Method are satisfied. The Prepayment Amount is calculated based on the sum of the Bond Redemption Amount, the Future Facilities Amount, the Redemption Premium, the Defeasance Amount, Administrative Fees and Expenses and less a credit for the resulting reduction in the Required Bond Reserve for the Bonds and Capitalized Interest Credit (if any), all as specified in Section I of the Amended Rate and Method attached as APPENDIX A.

Limitation on Special Tax Levy. Pursuant to Section 53321(d) of the Government Code, the Special Tax levied against any Assessor's parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor's parcel within Improvement Area No. 2 by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the City may not be able to increase the tax levy to the Maximum Special Tax in all years. However, subject to the limitations on the City's ability to levy the necessary amount of the Special Tax as imposed by Section 53321(d) of the Government Code, the City can levy the Special Tax on all Taxable Property to make-up all or a portion of any shortfall in the Special Tax levy, subject to the maximum Special Tax rate on such Taxable Property.

To the City's knowledge, the application of such limitation to for-rent apartment properties has not been subject to interpretation by the courts. A court could hold that such limitation applies, which decision could be binding on community facilities districts within the City. If such limitation were to apply, it is possible that the City may not be able to increase the tax levy to the Maximum Special Tax rate on Taxable Property with for-rent apartment in all years. However, subject to the limitations on the City's ability to levy the necessary amount of Special Tax as imposed by Section 53321(d) of the Government Code, the City can levy Special Taxes up to the Maximum Special Tax rates on all Taxable Property to make-up all or a portion of any shortfall in the Special Tax collections due to delinquencies.

Collection of Special Tax. The Special Tax is levied and collected by the Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes. The City may, however, collect the

Special Tax at a different time or in a different manner if necessary to meet its financial obligations with respect to Improvement Area No. 2.

Although the Special Tax constitutes a lien on Taxable Parcels within Improvement Area No. 2, it does not constitute a personal indebtedness of the owners of property within Improvement Area No. 2. In addition to the obligation to pay the Special Tax, properties in Improvement Area No. 2 are subject to other assessments and special taxes as set forth in Table 1 below. These other special taxes and assessments are on parity with the lien for the Special Tax. Moreover, other liens for taxes and assessments could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in Improvement Area No. 2. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments." There is no assurance that property owners will be financially able to pay the Special Tax or that they will pay such taxes even if financially able to do so. See "SPECIAL RISK FACTORS" below.

Foreclosure Covenant. The proceeds of delinquent amounts of the Special Tax received following a judicial foreclosure sale of parcels within Improvement Area No. 2 resulting from a landowner's failure to pay the Special Tax when due, up to the amount of the delinquent Special Tax lien, are included within the Net Special Tax Revenues pledged to the payment of principal and interest on the Bonds under the Indenture, except any payment of the Special Tax on tax-defaulted parcels, including all delinquent parcels and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, so long as the County has paid to the City the Special Tax levied for a tax-defaulted parcel pursuant to the Teeter Plan established by the County. See "— Teeter Plan" below.

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 City of the Special Tax in an amount which is less than the Special Tax levied, the City Council of the City may order that the Special Tax 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 following the nonpayment of a Special Tax is not mandatory.

However, the City will covenant in the Indenture to, annually on or before October 1 of each year, review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by one thousand five hundred thirty dollars ($1,530) or more for Fiscal Year 2021-22, which dollar amount shall escalate by two percent (2.0%) per annum for each Fiscal Year after Fiscal Year 2021-22 in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the City determines that the total amount so collected is less than 95% of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale in accordance with the Act.

The City is not obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City has received 100% of the amount of the installment from the County under the Teeter Plan (as defined below).

See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens."

If foreclosure is necessary and other funds (including amounts in the Bond Reserve Fund) 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 the City. See "SPECIAL RISK FACTORS — Bankruptcy and Foreclosure." 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." Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the City 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. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* property taxes.

Bond Reserve Fund

In order to secure the payment of principal of and interest on the Bonds, the City is required, upon delivery of the Bonds, to deposit in the Bond Reserve Fund an amount equal to the Required Bond Reserve and thereafter to maintain in the Bond Reserve Fund an amount equal to the Required Bond Reserve. As described below, the amount of the Required Bond Reserve at the time of issuance of the Bonds will not take into account the amount of the Escrow Bonds. If the conditions set forth in the Indenture to release amounts from the Escrow Fund to the Acquisition and Construction Fund are satisfied, the Required Bond Reserve will be increased as described below.

The Indenture provides that the amount to be maintained in the Bond Reserve Fund as the Required Bond Reserve, prior to the first to occur of the delivery by the City of an Escrow Fund Release Certificate to the Trustee and the Escrow Bonds Mandatory Redemption Date (September 1, 2024), as of any date of calculation, shall be the least of (a) ten percent (10%) of the principal amount of the Outstanding Bonds other than the Escrow Bonds, or (b) Maximum Annual Debt Service with respect to the Outstanding Bonds other than the Escrow Bonds, or (c) one hundred twenty-five percent (125%) of the average Debt Service payable with respect to the Outstanding Bonds other than the Escrow Bonds in the current and in all future Bond Years, all as determined by the City under the Internal Revenue Code of 1986, as amended (the "Code") and specified in writing to the Trustee; provided, that the Required Bond Reserve (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have at least one rating at the time of issuance of such policy or surety bond or letter of credit equal to "A" or higher assigned by Fitch or "A" or higher assigned by Moody's or "A" or higher assigned by Standard & Poor's, in each case without regard to any numerical modifier or plus or minus sign; and provided further, that the amount of the Required Bond Reserve shall not increase at any time except as described in the next paragraph or the issuance of a new Series of Parity Bonds; and provided further, that, with respect to the issuance of any issue of Parity Bonds, if the amount on deposit in the Bond Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of such issue of Parity Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such issue of Parity Bonds) then the Required Bond Reserve shall be such lesser amount as is determined by a deposit of such 10%.

On and after the first to occur of the delivery by the City of an Escrow Fund Release Certificate to the Trustee and the Escrow Bonds Mandatory Redemption Date (September 1, 2024), as of any date of calculation, the Required Bond Reserve shall be the least of (a) ten percent (10%) of the principal amount of the Outstanding Bonds and Parity Bonds, or (b) Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the average Debt Service payable under the Indenture in the current and in all future Bond Years, all as determined by the City under the Code and specified in writing to the Trustee; provided, that the Required Bond Reserve (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have at least one rating at the time of issuance of such policy or surety bond or letter of credit equal to "A" or higher assigned by Fitch or "A" or higher assigned by Moody's or "A" or higher assigned by Standard & Poor's, in each case without regard to any numerical modifier or plus or minus sign; and provided further, that the amount of the Required Bond Reserve shall not increase at any time except upon the delivery by the City of an Escrow Fund Release Certificate to the Trustee or the issuance of a new Series of Bonds; and provided further, that, with respect to the issuance of any issue of Parity Bonds, if the amount on deposit in the Bond Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of such issue of Parity Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such issue of Bonds) then the Required Bond Reserve shall be such lesser amount as is determined by a deposit of such 10%.

As of the date of issuance of the Bonds, the Required Bond Reserve will be fully funded in the amount of $490,111.52 from a portion of the proceeds of the Non-Escrow Bonds.

Subject to the limits on the maximum annual Special Tax which may be levied within Improvement Area No. 2 in accordance with the Amended Rate and Method set forth in APPENDIX A, the City will covenant to levy the Special Tax in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Bond Reserve Fund at the Required Bond Reserve. Amounts in the Bond Reserve Fund are to be applied to (i) pay debt service on the Bonds and any Parity Bonds, to the extent other monies in the Bond Redemption Fund are insufficient therefor; (ii) reinstate the amount available under any municipal bond insurance policy, surety bond, or letter of credit which may be issued and held in satisfaction of all or a portion of the Required Bond Reserve; and (iii) retire Bonds and any Parity Bonds in whole or in part, to the extent that the amount on deposit in the Bond Reserve Fund exceeds the Required Bond Reserve due to a redemption or defeasance of Bonds or Parity Bonds; provided that prior to the first to occur of the delivery by the City of an Escrow Fund Release Certificate to the Trustee and the Escrow Bonds Mandatory Redemption Date, any money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Non-Escrow Bonds in the event there is insufficient money in the Bond Redemption Fund available for this purpose. See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Allocation of Money in the Special Tax Fund."

Issuance of Parity Bonds

The City may issue one or more series of Parity Bonds (each a "Series"), in addition to the Bonds, which shall be payable from the Net Special Tax Revenues under the Master Indenture on parity with the Outstanding Bonds. The Parity Bonds shall be issued by means of a Supplemental Indenture and without the consent of any Holders, upon compliance with the provisions of the Master Indenture, which include, among others, the following specific conditions:

(a) No Event of Default under the Master Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing; and

(b) The Net Special Tax Revenues expected to be available to the City if the Special Tax were to be levied and collected at its maximum rate and amount on all Taxable Land in Improvement Area No. 2 during each Fiscal Year that any Bonds and Parity Bonds will be Outstanding, as shown by a written certificate of a special tax consultant selected by the City on file with the Trustee, would have produced a sum equal to at least 110% of the annual Debt Service during the Bond Year that begins in such Fiscal Year; provided, that the Net Special Tax Revenues expected to be available to the City from the levy of the Special Tax on any Unit (as defined in the Amended Rate and Method) of High-Density Residential Property (as defined in the Amended Rate and Method) or any Unit of Mixed-Use Residential Property (as defined in the Amended Rate and Method) shall not be used in such calculation for any Fiscal Year unless such Unit of High-Density Residential Property or Unit of Mixed-Use Residential Property is classified as Developed Property (as defined in the Amended Rate and Method) under the Amended Rate and Method as of the date of such calculation; and

(c) The aggregate Value-to-Lien Ratio of all Taxable Land (excluding the Value of any parcels of Taxable Land then delinquent in the payment of any Special Tax) shall be at least 3:1; and, for the purposes of this subparagraph (c), the term "Value" means either the current assessed valuation of a parcel of Taxable Land or the appraised value of a parcel of Taxable Land determined by an MAI appraiser, and the term "Value-to-Lien Ratio" means the Value of all Taxable Land to the aggregate principal amount of all Bonds and Parity Bonds Outstanding and the Series of Parity Bonds proposed to be issued plus the aggregate principal amount of all other assessment bonds and bonds issued under the Act and reasonably allocable to such Taxable Property.

Notwithstanding provisions of the Indenture described in (b) and (c) above, nothing contained in the Indenture shall limit the issuance of any Series payable from the Net Special Tax Revenues as provided therein if after the issuance and delivery of such Series none of the Bonds and Parity Bonds theretofore issued under the Indenture will be Outstanding, and nothing contained in the Indenture shall limit the issuance of any Series payable from the Net Special Tax Revenues as provided therein if, after the issuance and delivery of such Series, the Debt Service in each Bond Year that begins after the issuance of such Series is not increased by reason of the issuance of such Series.

See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Conditions for the Issuance of Bonds."

Escrow Fund

The Indenture establishes the Escrow Fund which is held by the Trustee. On the date of issuance of the Bonds, $5,535,177.43 of the proceeds of the Bonds will be deposited in the Escrow Fund. As used herein, the terms: (1) "Escrow Fund Release Certificate" means a Certificate of the City delivered to the Trustee pursuant to the Indenture as described in paragraphs (b) and (c) below, certifying that the Escrow Fund Release Conditions have been satisfied on or before the date of such certificate and certifying as to the other information required to be certified by the City pursuant to the Indenture as described in paragraphs (b) and (c) below, as applicable; (2) "Escrow Fund Release Conditions" means that the City has determined that a final subdivision map or final subdivision maps that create individual lots for which residential building permits may be issued without further subdivision of such property has or have been approved by the City and recorded by the developer or developers for the entire area known, as of the date of issuance of the Bonds, as MDR Village 6 and MDR Village 7, and which area is comprised of Parcel 8 and Parcel 2 as shown on that certain Master Parcel Map of Delta Shores Phase 2 filed on November 19, 2021 in Book 245 of the parcel maps maintained by the County of Sacramento Recorder at Page 10 and also identified as document number 202111190728 (see "DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 2 — Infrastructure and Home Construction by Signature Homes — *Final Subdivision Mapping*" below for a description of the general requirements for the approval of and recordation of final subdivision maps with respect to MDR 6 and MDR 7); and (3) "Escrow Fund Release Cut-Off Date" means June 1, 2024.

All money in the Escrow Fund shall be applied, set aside and deposited or transferred by the Trustee solely as follows:

(a) Unless and until the Trustee receives an Escrow Fund Release Certificate from the City as provided in the Indenture and described in paragraphs (b) or (c) below, the Trustee shall transfer the following amounts from the Escrow Fund to the Bond Redemption Fund on the following dates solely for the purpose of paying the interest due on the Escrow Bonds on such dates (including interest due on the Escrow Bonds upon the mandatory redemption of the Escrow Bonds on the Escrow Bonds Mandatory Redemption Date, if such mandatory redemption is required by the Indenture as described under "THE BONDS — Redemption — *Mandatory Redemption of Escrow Bonds from Escrow Fund*" above):

Interest Payment Date	***Amount***
September 1, 2022	$ 54,952.43
March 1, 2023	141,306.25
September 1, 2023	141,306.25
March 1, 2024	141,306.25
September 1, 2024	141,306.25

(b) If the Trustee receives an Escrow Fund Release Certificate from the City on or before June 1, 2023, then the Trustee shall set aside and deposit or transfer the then-remaining amount on deposit in the Escrow Fund as follows:

First, the Trustee shall transfer to and deposit in the Bond Redemption Fund an amount equal to the remaining interest to become due and payable on the Escrow Bonds through and including September 1, 2023, plus an amount equal to the interest to accrue on the Escrow Bonds from (and including) September 1, 2023, through (and including) December 1, 2023, which total amount shall be certified by the City in the Escrow Fund Release Certificate and which amount shall be used solely for the purpose of paying the remaining interest to become due and payable on the Escrow Bonds through and including September 1, 2023, and a portion of the interest to become due and payable on the Escrow Bonds on March 1, 2024;

Second, the Trustee shall transfer to and deposit in the Bond Reserve Fund the amount necessary to cause the amount on deposit in the Bond Reserve Fund to be equal to the Required Bond Reserve as of such date, which amount and the amount of the Required Bond Reserve as of such date shall each be certified by the City in the Escrow Fund Release Certificate delivered to the Trustee; and

Third, the Trustee shall transfer any remaining amount in the Escrow Fund to the City for deposit in the Acquisition and Construction Fund and/or as otherwise directed by the City in the Escrow Fund Release Certificate in the manner provided by the Act for payment of costs of the acquisition and construction of the Facilities (or for making reimbursements to the City for such costs theretofore paid by it), including payment of costs incidental to or connected with such acquisition and construction; or for the repayment of funds advanced to or for the District.

(c) If the Trustee receives an Escrow Fund Release Certificate from the City after June 1, 2023, but on or before the Escrow Fund Release Cut-Off Date (June 1, 2024), then the Trustee shall set aside and deposit or transfer the then-remaining amount on deposit in the Escrow Fund as follows:

First, the Trustee shall transfer to and deposit in the Bond Redemption Fund an amount equal to the remaining interest to become due and payable on the Escrow Bonds through and including September 1, 2024, which amount shall be certified by the City in the Escrow Fund Release Certificate and which amount shall be used solely for the purpose of paying the remaining interest to become due and payable on the Escrow Bonds through and including September 1, 2024;

Second, the Trustee shall transfer to and deposit in the Bond Reserve Fund the amount necessary to cause the amount on deposit in the Bond Reserve Fund to be equal to the Required Bond Reserve as of such date, which amount and the amount of the Required Bond Reserve as of such date shall each be certified by the City in the Escrow Fund Release Certificate delivered to the Trustee; and

Third, the Trustee shall transfer any remaining amount in the Escrow Fund to the City for deposit in the Acquisition and Construction Fund and/or as otherwise directed by the City in the Escrow Fund Release Certificate in the manner provided by the Act for payment of costs of the acquisition and construction of the Facilities (or for making reimbursements to the City for such costs theretofore paid by it), including payment of costs incidental to or connected with such acquisition and construction; or for the repayment of funds advanced to or for the District.

(d) If the Trustee does not receive an Escrow Fund Release Certificate from the City on or before the Escrow Fund Release Cut-Off Date (June 1, 2024), then the Trustee shall apply or transfer the then-remaining amount on deposit in the Escrow Fund as follows:

First, the Trustee shall apply the amount remaining in the Escrow Fund to the mandatory redemption of the Escrow Bonds in full on the Escrow Bonds Mandatory Redemption Date (September 1, 2024) pursuant to the Indenture as described under "THE BONDS — Redemption — *Mandatory Redemption of Escrow Bonds from Escrow Fund*" above; and

Second, the Trustee shall transfer any amount remaining in the Escrow Fund after the mandatory redemption of the Escrow Bonds in full to the City for deposit in the Acquisition and Construction Fund.

Notwithstanding anything to the contrary set forth in the Master Indenture, all interest received on any money deposited or invested in the Escrow Fund shall (subject to the requirements of the Master Indenture) be deposited in the Escrow Fund and applied, together with the other amounts on deposit in the Escrow Fund, as set out in the Indenture and described above. After applying, setting aside, and depositing or transferring all amounts held in the Escrow Fund as described above, the Trustee shall close the Escrow Fund.

Teeter Plan

In June 1993, the Board of Supervisors of the County approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions for which the County acts as the tax-levying or tax-collecting agency.

Under the Teeter Plan, the County distributes tax collections on a cash basis to taxing entities during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the taxing entities and those special assessment districts and community facilities districts (and individual parcels within each district) that the County determines are eligible to participate in the Teeter Plan. The County may make eligibility determinations on an annual basis and may exclude a district or an individual parcel that had previously been included in the plan. Improvement Area No. 2 is currently included in the County's Teeter Plan. The County has the discretion to determine which delinquent special taxes will be paid through the Teeter Plan on a case-by-case basis. See "SPECIAL RISK FACTORS — Teeter Plan Termination."

IMPROVEMENT AREA NO. 2

General Description

The District was formed in 2019 by the City Council under the Act to provide for the financing of public improvements to meet the needs of new development. Subsequent to the formation of the District, the City undertook change proceedings with respect to the District and the improvement areas therein, including Improvement Area No. 2, as described under "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Authorization and Pledge*." Pursuant to such formation and change proceedings, eligible electors within Improvement Area No. 2 authorized the City to incur bonded indebtedness with respect to Improvement Area No. 2 to finance certain public facilities to meet the needs of new development within Improvement Area No. 2, approved the Amended Rate and Method for Improvement Area No. 2 and authorized the levy of the Special Tax.

The property in Improvement Area No. 2 is part of an approximately 782-acre new master-planned community being marketed as "Delta Shores." Delta Shores is located in the southern portion of the City, approximately 10 miles from downtown Sacramento. Delta Shores is bordered to the north by the developed Meadowview community, to the south by an open space "buffer zone" between the Sacramento Regional

County Sanitation District's treatment plant, to the west by the Sacramento River, and to the east by Morrison Creek and existing communities. In 2016, a new freeway interchange and extension of Cosumnes River Boulevard (a major thoroughfare bisecting the Delta Shores site) was completed, providing direct access to the site from the Interstate 5 freeway.

Improvement Area No. 2 consists of approximately 146 gross acres and is bordered to the west by the existing retail development, to the north by Cosumnes River Boulevard and to the south and west by Delta Shores Circle. The development within Improvement Area No. 2 is planned for 421 market-rate for-sale homes, approximately 1,027 high-density residential units which are currently anticipated to be for-rent apartment units, however, such units may also be for-sale units based on current zoning. In addition, there are approximately 5.5 acres zoned for a mixed-use development with approximately 125 residential units, which the Developer currently anticipates will be for-rent units under a "build-for-rent" model. Build-for-rent developments generally have products more typical of medium/lower density single-family developments (e.g. no units above or below other units) but which are intended to be for-rent and not for-sale. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

Improvement Area No. 2 is also planned to include two parks totaling approximately 32 acres, an elementary school to be owned and operated by the Sacramento City Unified School District and a wet detention basin (which is complete).

The Developer has completed certain major backbone infrastructure necessary for development in Improvement Area No. 2, which includes arterial roadways surrounding the property, related traffic signal improvements, wet utilities, dry utilities and wet storm water detention ponds to serve the entire Delta Shores community. As further described herein, the collector roadways (and associated wet and dry utilities) from which the individual project Villages within Improvement Area No. 2 are to be accessed, as well as all in-tract infrastructure remain to be constructed.

As of April 1, 2022, the Developer has transferred one Village (MDR 5) to the Joint Venture Entity formed with an affiliated entity of Signature Homes to be developed with 87 for-sale single-family detached homes. In addition, as of such date, the Developer has entered into agreements with Signature Homes for the purchase of the balance of the MDR Villages (MDR 6, MDR 7 and MDR 8) which are planned for a total of 334 single-family detached homes. The Developer currently expects Signature Homes to acquire the property for the first phase of development in MDR 8, which is planned for 76 of the 136 units in MDR 8, in June 2022.

Pursuant to agreements between the Developer and Signature Homes, if Signature Homes acquires the property in MDR 6, MDR 7 and MDR 8, with certain exceptions as described herein, Signature Homes will be responsible for constructing the remaining infrastructure necessary to achieve buildout within MDR 6, MDR 7 and MDR 8. With respect to MDR 5, under the joint venture agreement with the Developer, Signature Homes will likewise be responsible for constructing the remaining infrastructure necessary to achieve buildout within MDR 5.

The Developer has not finalized development plans with respect to the property in Improvement Area No. 2 planned for high-density residential land uses (i.e., the HDR Villages) and the mixed-use Village. The Developer may convey all or a portion of such property to third-party builders and/or enter into joint ventures to develop all or a portion of such property.

See "DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 2" for a description of the development status and remaining required infrastructure necessary to complete development in Improvement Area No. 2. A detailed description of the status of the construction and ownership as of the date of the Appraisal Report is included in APPENDIX B — "APPRAISAL REPORT."

Water and sewer service to the property is provided by the City. Electricity is supplied by Sacramento Municipal Utility District and natural gas is supplied by Pacific Gas & Electric. Delta Shores is located within the Sacramento City Unified School District.

Description of Authorized Facilities

Acquisition Agreement. The City and the Developer are parties to an Acquisition and Shortfall Agreement, dated as of September 1, 2019 (the "Acquisition Agreement"), which provides, among other things, the means by which the Developer constructed the facilities to be acquired with the proceeds of the Bonds pursuant to certain requirements contained in the Acquisition Agreement, and which provides guidelines pursuant to which the City may acquire completed segments of the facilities with the proceeds of the Bonds. The Acquisition Agreement pertains to the acquisition of the public infrastructure constructed to serve development within the District.

Facilities. A portion of the proceeds from the sale of the Bonds will be deposited in the Acquisition and Construction Fund under the Indenture and used to pay for the costs of facilities authorized to be financed for Improvement Area No. 2, in accordance with the terms of the Indenture and the Acquisition Agreement. As more fully detailed in the Acquisition Agreement, such facilities consist of backbone infrastructure, including without limitation water and storm drain improvements, roadways and traffic improvements, landscaping and park improvements, in addition to other improvements authorized under the Acquisition Agreement. If the Escrow Fund Release Conditions are satisfied prior to the Escrow Fund Release Cut-Off Date, which would allow for the amounts in the Escrow Fund to be transferred to the Acquisition and Construction Fund, approximately $7.45 million of the costs of such facilities are expected to be reimbursed from Bond proceeds. If the Escrow Fund Release Conditions are not satisfied prior to the Escrow Fund Release Cut-Off Date, the amount of proceeds of the Bonds available to reimburse for the costs of the Facilities will be limited to the initial deposit in Acquisition and Construction Fund at the time the Bonds are issued. See "ESTIMATED SOURCES AND USES OF FUNDS."

Flood Hazard

Development in the District is subject to federal and State requirements regarding the restoration of protection against flood hazards (e.g., levees). The Central Valley Flood Protection Act of 2008 requires that cities and counties within the California Central Valley (including the City) make certain findings with respect to flood protection before approving development agreements, tentative maps, discretionary permits, and ministerial permits for new residences. One of those findings is that the local flood-management agency has made "adequate progress" on the construction of a flood-protection system that will provide an Urban Level of Flood Protection ("ULOP") by 2025. An ULOP is the level of flood protection needed to withstand a flood event that has a 0.5% chance of occurring in a year (i.e., a 200-year flood).

The Sacramento Area Flood Control Agency ("SAFCA") is the local flood-management agency that serves the area within the City. In 2016, SAFCA prepared its ULOP plan, which the City accepted in June 2016. When making the adequate-progress finding, the City has relied on annual progress reports prepared by SAFCA, which demonstrate that the project involving the strengthening of 24 miles of levees surrounding the portion of the City known as the "Natomas Basin" (the "Levee Project") is meeting specified development milestones toward providing an ULOP by 2025. If construction of the Levee Project is delayed so that the City is unable to make a finding of adequate progress toward an ULOP, then the City might not be able to approve either or both of the following: a discretionary permit or other discretionary entitlement for construction of a new building or construction that would result in an increase in allowed occupancy for an existing building; or a ministerial permit for construction of a new residence. The City currently does not expect any delays with respect to the Levee Project that would cause this to occur.

The Corps began construction of the Levee Project in 2017 and the Levee Project is currently estimated to be complete in 2025. To date, 18 miles have been completed and construction of the remaining

24 miles began in 2019. The Corps will need to acquire additional land and obtain additional approvals and permits in order to complete the Levee Project.

Under FEMA's current mapping, the property in the District is currently in a 500-year flood zone. However, as described above, all of the City is subject to the ULOP requirement. See "SPECIAL RISK FACTORS — Natural Disasters."

Proposed Adjacent Unhoused Services Facility

In early 2022, the City acquired an approximately 102-acre site located approximately a quarter mile to the northeast of Improvement Area No. 2 for the currently proposed purpose of providing services to the unhoused population within the City. In the near-term, it is currently contemplated that the site may be used for "safe parking" which allows individuals who reside in their vehicles to park on the site. If ultimately developed with facilities to serve the unhoused population, the site may be used for services with the intent to assist such individuals toward finding a permanent housing solution. However, all or a portion of the site may instead be used for another civic amenity in the event it is not used to serve the unhoused population. Given its close proximity to Improvement Area No. 2, the use of the site for unhoused services could negatively impact the absorption rate and/or the property value in Improvement Area No. 2. The City has not approved any definitive plans for the use of such site and the development of the site for unhoused services may not occur for several years, if at all.

Direct and Overlapping Indebtedness

The ability of an owner of land within Improvement Area No. 2 to pay the Special Tax could be affected by the existence of other taxes and assessments imposed upon the property. These other taxes and assessments consist of the direct and overlapping debt in Improvement Area No. 2 and are set forth in Table 1 below (the "Debt Report"). Table 1 does not include entities that only levy or assess fees, charges or special taxes for purposes other than supporting debt. The Debt Report includes the principal amount of the Bonds in addition to the Improvement Area No. 2's allocable share of any outstanding community facilities district and assessment district bonds. The Debt Report has been derived from data assembled and reported to the City by California Municipal Statistics, Inc. and NBS as of March 4, 2022. Neither the City nor the Underwriter have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

TABLE 1
CITY OF SACRAMENTO
DELTA SHORES COMMUNITY FACILITIES DISTRICT 2019-01 (IMPROVEMENTS)
IMPROVEMENT AREA NO. 2
OVERLAPPING DEBT SUMMARY

Overlapping District	*Percent Applicable*	*Total Outstanding Bonded Debt*
Los Rios Community College District General Obligation Bonds	0.008%	$ 41,126
Sacramento City Unified School District General Obligation Bonds	0.045	219,400
Sacramento Area Flood Control Agency Consolidated Capital Assessment District No. 2 Bonds(1)	0.009	27,893
City of Sacramento Delta Shores CFD No. 2019-01 Improvement Area No. 2 Special Tax Bonds(2)	**100.000**	10,230,000
Total		**$10,518,419**
Total Appraised Value(3)**:**		**$ 35,000,000**
Appraised Value-to-Lien Ratio		**3.33:1**

(1) The allocable share of such debt to Improvement Area No. 2 will increase as development within Improvement Area No. 2 progresses.
(2) Includes the principal amount of the Non-Escrow Bonds and the Escrow Bonds. See "THE BONDS — Redemption" and "SOURCES OF PAYMENT FOR THE BONDS —Escrow Fund" herein.
(3) Based on the appraised value as set forth in the Appraisal Report as of the Date of Value.
Source: California Municipal Statistics, Inc.; Underwriter; Appraiser.

Estimated Fiscal Year 2022-23 Tax Burden

The following table sets forth the estimated total tax obligation for residential units planned within the MDR Villages in Improvement Area No. 2 based on the Fiscal Year 2022-23 Special Tax levy at the Assigned Special Tax rates for Developed Property and the Fiscal Year 2021-22 tax rates for overlapping taxing entities. The amounts charged and the effective tax rates vary for individual parcels within Improvement Area No. 2 and may increase or decrease in future years. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments."

TABLE 2
CITY OF SACRAMENTO
DELTA SHORES COMMUNITY FACILITIES DISTRICT 2019-01 (IMPROVEMENTS)
IMPROVEMENT AREA NO. 2
ESTIMATED TAX OBLIGATION FOR SAMPLE UNITS IN MDR VILLAGES

Village		***MDR-5***	***MDR-6***	***MDR-7***	***MDR-8***
Average Building Square Footage		2,700	1,779	1,883	2,247
Minimum Lot Acreage		0.09	0.04	0.04	0.07
Average Net Base Price[(1)]		$665,805.00	$524,000.00	$564,219.00	$612,463.00
Homeowner's Exemption		(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)
Net Expected Assessed Value		$658,805.00	$517,000.00	$557,219.00	$605,463.00
Ad Valorem	***Tax Rate***				
General Purpose Ad Valorem Tax	1.0000%	$ 6,588.05	$ 5,170.00	$ 5,572.19	$ 6,054.63
Los Rios Community College District GOB	0.0918	604.78	474.61	511.53	555.82
Sacramento City Unified School District GOB	0.0249	164.04	128.73	138.75	150.76
Total *Ad Valorem* Taxes	1.1167%	$ 7,356.88	$ 5,773.34	$ 6,222.46	$ 6,761.21
Special/Direct Assessments and Taxes					
SMD 2014-04 – DELTA SHORES CFD #1		$ 383.16	$ 383.16	$ 383.16	$ 383.16
SAFCA O&M ASSESSMENT #1		13.37	5.94	8.91	10.40
MAINTENANCE AREA 9		18.92	18.92	18.92	18.92
1-Story: SAFCA CONSOLIDATED CAP ASMT #2		247.01	162.04	172.16	205.01
2-Stories: SAFCA CONSOLIDATED CAP ASMT #2		181.53	118.89	126.50	150.52
SACTO CORE LIBRARY SERV. TAX		14.40	14.40	14.40	14.40
SACRAMENTO ADDL LIBRARY SRV TAX		37.02	37.02	37.02	37.02
CITYWIDE L & L ASSESSMENT DISTRICT		90.42	90.42	90.42	90.42
DELTA SHORES CFD NO. 2019-01 IA2 [(2)]		1,560.60	1,560.60	1560.60	1,560.60
Total Special/Direct Assessments and Taxes - 1-Story		$ 2,364.90	$ 2,272.50	$ 2,285.59	$ 2,319.93
Total Special/Direct Assessments and Taxes - 2-Stories		$ 2,299.42	$ 2,229.35	$ 2,239.93	$ 2,265.44
Total Estimated Annual Property Taxes - 1-Story		**$ 9,721.78**	**$ 8,045.84**	**$ 8,508.05**	**$ 9,081.14**
Total Estimated Annual Property Taxes - 2-Stories		**$ 9,656.30**	**$ 8,002.69**	**$ 8,462.39**	**$ 9,026.65**
Effective Tax Rate - 1-Story		**1.4602%**	**1.5355%**	**1.5079%**	**1.4827%**
Effective Tax Rate - 2-Stories		**1.4503%**	**1.5272%**	**1.4998%**	**1.4738%**

(1) Based on the recommended pricing set forth in the Market Absorption Report.
(2) Reflects the Assigned Special Tax rate for Developed Property for Fiscal Year 2022-23.
Source: Special Tax Consultant; Market Absorption Consultant; the Sacramento County Tax Collector's Office; and SAFCA.

Market Absorption Study

General. In order to provide an independent assessment of the residential absorption potential within Improvement Area No. 2, the City engaged the Market Absorption Consultant. The Market Absorption Consultant performed a comprehensive analysis of the product mix characteristics as well as the macroeconomic and microeconomic factors that the Market Absorption Consultant expects to influence the absorption of the forthcoming products within Improvement Area No. 2. The Market Absorption Report dated April 19, 2022 is attached hereto as Appendix J. In the Market Absorption Report, the Market Absorption Consultant observes that the immediate area surrounding Delta Shores and the City generally (other than Natomas Basin in the northern portion of the City) has long been constrained with respect to new residential development. Therefore, the Market Absorption Consultant assessed the market size for the residential products in Improvement Area No. 2 mainly on County-wide and Sacramento-Roseville-Arden Arcade metropolitan statistical area-wide data. Based on the Market Absorption Consultant's observations of the relevant market demand, the Market Absorption Consultant estimates that the for-sale residential products in Improvement Area No. 2 could achieve an absorption rate of between 3.8 to 4.0 homes per month and that the for-rent residential products in the HDR Villages could achieve 15 leases per month. The Market Absorption Consultant estimates that the for-rent residential units anticipated to be developed within the mixed-use Village could achieve approximately eight leases per month.

As described above, the City purchased a site approximately a quarter mile to the northeast of Improvement Area No. 2 for the currently proposed purpose of providing services to the unhoused population within the City. The Market Absorption Report notes that it is currently uncertain as to the timing of the use of such site for unhoused services, the scope and type of such services and whether vehicular and pedestrian access to the site will be from Cosumnes River Boulevard (which is also one of the main arterial roadways from which Improvement Area No. 2 is accessed). The Market Absorption Report notes that while a negative impact on the absorption within Improvement Area No. 2 cannot be discounted, there is a possibility that the impact of the use of the site for unhoused services will be negligible in terms of buyer and renter absorption in Improvement Area No. 2. See "— Proposed Adjacent Unhoused Services Facility."

For-Sale Products. In reaching its estimated rate of absorption for the for-sale residential products in Improvement Area No. 2, the Market Absorption Consultant reviewed the assumed product, pricing, location and masterplan setting of the proposed project and took into account factors such as limited regional supply, the performance of new home comparables, and longer-term new home per project norms in the region.

The Market Absorption Consultant took into account information from the Developer and Signature Homes that the projects in MDR 5 and MDR 8 will open for sale in the second quarter of 2023 and that MDR 6 and MDR 7 will open for sale in the second quarter of 2024. Based on the foregoing, the Market Absorption Consultant reached the following estimates for the absorption for the for-sale products in Improvement Area No. 2.

Village	***Total No. of Units***	***Units Sold Per Year***			
		2023	***2024***	***2025***	***2026***
MDR 5	87	30	48	9	--
MDR 6	102	--	29	46	27
MDR 7	96	--	29	46	21
MDR 8	136	30	48	48	10
Totals	**421**	**60**	**154**	**149**	**58**

For-Rent Products. The Developer has not finalized any development plans with respect to the products in the HDR Villages. However, based on the current expectation that the HDR Villages will include 1,027 apartment units, the Market Absorption Report presents two estimated absorption scenarios for the HDR Villages.

In the first scenario, the Market Absorption Consultant assumes that the first HDR Village will be sold to a builder in the second quarter of 2023 and that there would be a 15-month construction period prior to commencement of leasing. The Market Absorption Consultant estimates that 15 leases per month is achievable for each HDR Village. The Market Absorption Consultant assumes that each of the subsequent HDR Villages would be sold toward the end of the lease-up period of the prior HDR Village that is developed and that each construction period and lease-up schedule will be in line with the sequence described above for the first HDR project. Based on the foregoing, the Market Absorption Consultant estimates that all of the for-rent products will reach stabilized occupancy in approximately the second quarter of 2033.

In the second scenario, the Market Absorption Consultant assumes that each subsequent HDR Village to be developed is sold to a builder earlier in the lease-up period of the prior HDR Village that is developed. Under this scenario, the Market Absorption Consultant estimates that the 1,027 for-rent products in the HDR Villages will reach stabilized occupancy in approximately 2029. The Market Absorption Report states that this second absorption schedule is achievable but is subject to disruption in the event of a market downturn.

As noted above, the mixed-use Village is currently expected to be developed under a build-for-rent model. Build-for-rent units are generally units which have products more typical of medium/lower density single-family developments (e.g. no units above or below other units) but which are intended to be for-rent and not for-sale. Based on estimates by the Developer in both scenario 1 and 2, the Market Absorption Consultant assumes that the mixed-use Village will be sold to a builder in the fourth quarter 2024 and commence leasing in the first quarter of 2026 (i.e. a 15-month construction period). The Market Absorption Consultant estimates that eight leases per month is achievable for the mixed-use Village, with stabilized occupancy reached in the first quarter of 2027.

As described herein, the Bonds have been sized assuming no Special Tax revenues from the HDR Villages or the mixed-used Village are needed for payment of the Bonds.

The Market Absorption Consultant identified potential risks that could affect the estimated absorption, including economic downturn and the impact of the COVID-19 pandemic. See "SPECIAL RISK FACTORS." A complete copy of the Market Absorption Study is attached hereto as APPENDIX J.

Property Values

Assessed Value. The estimated assessed value of the property within Improvement Area No. 2, as shown on the County's assessment roll for Fiscal Year 2021-22, is approximately $19,032,848 (all of which was land value). The assessed value of the property within Improvement Area No. 2 represents the secure assessed valuation established by the County Assessor. Assessed values do not necessarily represent market values. Article XIIIA of the California Constitution (Proposition 13) defines "full cash value" to mean "the County assessor's valuation of real property as shown on the 1975/76 roll under 'full cash value,' or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. There can be no assurance that the assessed valuations of the properties within Improvement Area No. 2 accurately reflect their respective market values, and the future fair market values of those properties may be lower than their current assessed valuations.

Appraisal. As described above, due to Article XIIIA of the California Constitution, a property's assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the property within Improvement Area No. 2, the City engaged BBG, Inc., the Appraiser, to prepare the Appraisal Report. 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 City and has no material relationships with the City or the owners of the land within Improvement Area No. 2 other than the relationship represented by the engagement to prepare the Appraisal Report. The City instructed the Appraiser to prepare its analysis and report in conformity with City-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 Report is included as APPENDIX B — "APPRAISAL REPORT."

The purpose of the Appraisal Report was to estimate the market value by ownership of the properties in Improvement Area No. 2 subject to the lien of the Special Tax. As of the Date of Value of the Appraisal Report, the property owners in Improvement Area No. 2 were the Developer and the Joint Venture Entity. Subject to the contingencies, assumptions, and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of the Date of Value, the estimated market value (on a bulk value basis) of the property encumbered by the Special Tax within Improvement Area No. 2 was not less than $35,000,000. The estimated market value assumed that the Bonds has just been sold. See "DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 2."

In estimating the value for the Taxable Property in Improvement Area No. 2, the Appraiser used a sales comparison approach and the subdivision development method. The sales comparison approach considers area bulk lot sales, with adjustments applied accordingly relative to the appraised property. The subdivision development method is a discounted cash flow analysis that reflects anticipated home prices and costs over an absorption period, leading to an estimate of residual land/lot value. The two approaches to value are then reconciled to arrive at finished lot prices. The Appraiser then applied a discounted cash flow analysis which took into account the potential revenue from the sale of lots, the expected absorption period, development costs for the backbone infrastructure costs, holding and sales costs as well as profit expectations of a buyer for the property.

In applying the subdivision development approach to value the MDR Villages, the Appraiser utilized new retail home pricing data for competitive sub-markets in the Sacramento region. This data was obtained from third-parties (The Gregory Group) and the Market Absorption Consultant as well as from their own independent research, up through the first quarter of 2022. The third-party data as well as their own research showed that average new home prices in the applicable competitive sub-markets during the first quarter of 2022 continued to increase from the third and fourth quarters of 2021. Further, in valuing the HDR Villages, the Appraiser utilized available comparable land sales through March 2022, which also showed increases in land sales prices in multi-family sites. Based on such recent information as well as from recent conversations with brokers and sellers in the applicable market, and adjusting for increases in construction costs, the Appraiser arrived at its overall conclusion of value for the Taxable Property in the District as set forth in the Appraisal Report.

As described above, the City has purchased a site approximately a quarter mile to the northeast of Improvement Area No. 2 for the currently proposed purpose of providing services to the unhoused population within the City, with a proposal to use a portion of the site as safe parking in the near-term. The Appraisal Report notes that, under a best case scenario, the impact of this proposed use to the property in Improvement No. 2 would be neutral. The Appraisal Report provides that a more likely impact is that certain future buyers and renters could be deterred if or when there is a high degree of development certainty or upon actual development of the project as envisioned. The Appraisal Report states that the potential impacts of such proposed use of the adjacent property was considered in reaching the conclusion of value. See "— Proposed Adjacent Unhoused Services Facility."

Reference is made to APPENDIX B for a complete list of the assumptions and limiting conditions and a full discussion of the appraisal methodology and the basis for the Appraiser's opinions. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the property within Improvement Area No. 2 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 Improvement Area No. 2 would actually sell for the amount indicated by the Appraisal Report.

The Appraisal Report indicates the Appraiser's opinion as to the market value of the property in Improvement Area No. 2 as of the Date of Value and under the conditions specified in the Appraisal Report. 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.

It is a condition precedent to the issuance of the Bonds that the Appraiser deliver to the City a certification to the effect that nothing has come to the attention of the Appraiser subsequent to the Date of Value of the Appraisal Report that would cause the Appraiser to believe that the value of the property in Improvement Area No. 2 is less than the market value of Improvement Area No. 2 reported in the Appraisal Report. The Appraiser notes, however, that acts and events may have occurred since the Date of Value of the Appraisal Report which could result in both positive and negative effects on market value within Improvement Area No. 2.

Appraisal Review Report. The City engaged Smith & Associates, independent appraisers, to conduct a review of the Appraisal Report. Smith & Associates concluded in its report dated May 24, 2022 that the Appraisal Report: (i) is within the context of the Uniform Standards of Professional Appraisal Practice (USPAP); (ii) the data and analysis in the Appraisal Report was adequate and relevant; (iii) the propriety of the adjustments is considered adequate and relevant; (iv) the analyses, opinions, and conclusions in the report under review are appropriate and reasonable; (v) the opinion of value presented in the Appraisal Report is considered credible and adequately supported by available market data and the analysis thereof; and (vi) is in compliance with both USPAP and California Debt and Investment Advisory Commission guidelines.

Value-To-Lien Ratios

Based on the principal amount of the Bonds, the estimated appraised value-to-lien ratio within Improvement Area No. 2, including all Taxable Property as of the Date of Value is approximately 3.33-to-1. This ratio includes the overlapping debt set forth in Table 1 above. See "— Direct and Overlapping Indebtedness" above.

Table 3 below shows the estimated principal amount of the Bonds and overlapping debt allocable to the Taxable Property in Improvement Area No. 2 and the estimated value-to-lien ratios for various categories of parcels based upon the appraised value as set forth in the Appraisal Report and property ownership and development status as of the Date of Value. As of the Date of Value, the Developer and the Joint Venture Entity were the only property owners in Improvement Area No. 2.

Interest on the Non-Escrow Bonds have been capitalized through and including December 1, 2022 and the Non-Escrow Bonds have been sized based on the Net Special Tax revenues to be generated from the Taxable Property in MDR 5 and MDR 8 at buildout. Accordingly, in Table 3 below, the principal amount of the Escrow Bonds have been allocated to the Taxable Property in MDR 5 and MDR 8 based on the proportion of the Fiscal Year 2022-23 Maximum Special Tax rates on such property.

Interest on the Escrow Bonds have been capitalized up through and including September 1, 2024 and the Escrow Bonds have been sized based on Net Special Tax revenues to be generated from the Taxable Property in MDR 6 and MDR 7 at buildout. Accordingly, notwithstanding the fact that the City does not expect to levy any Special Tax on Undeveloped Property in Fiscal Year 2022-23, all of the Escrow Bonds are shown as allocated to Taxable Property other than MDR 5 and MDR 8 in Table 3 (i.e. the Undeveloped Property).

In the City Reports provided pursuant to the City Continuing Disclosure Certificate, Table 3 will not be updated based on appraised value, but similar information will be provided based on the assessed value for the current Fiscal Year.

TABLE 3
CITY OF SACRAMENTO
DELTA SHORES COMMUNITY FACILITIES DISTRICT 2019-01 (IMPROVEMENTS)
IMPROVEMENT AREA NO. 2
VALUE-TO-LIEN RATIOS BASED ON OWNERSHIP

Special Tax Category / Property Owner[(1)]	*Planned Residential Units*[(2)]	*Appraised Value*[(3)]	*Estimated Fiscal Year 2022-23 Special Tax Levy*[(4)]	*Percentage of Estimated Fiscal Year 2022-23 Special Tax Levy*	*Fiscal Year 2022-23 Maximum Special Tax*[(5)]	*Percentage of Fiscal Year 2022-23 Maximum Special Tax*	*Allocation of City of Sacramento CFD No. 2019-01 Non-Escrow Bonds*[(6)]	*Allocation of City of Sacramento CFD No. 2019-01 Escrow Bonds*[(7)]	*Allocation of Overlapping Tax and Assessment Debt*[(8)]	*Total Debt Lien*	*Value-to-Lien Ratio*
Final Subdivision Property											
Joint Venture Entity[(9)]	87	$ 9,300,000	$ 129,603	53.4%	$ 135,772	14.4%	$ 2,196,247	$ 0	$ 76,637	$ 2,272,884	4.09
Developer[(10)]	76	3,736,749	113,216	46.6	118,606	12.5	1,918,561	0	30,793	1,949,353	1.92
Subtotal Final Subdivision Property	**163**	**$ 13,036,749**	**$ 242,819**	**100.0%**	**$ 254,378**	**26.9%**	**$ 4,114,808**	**$ 0**	**$ 107,430**	**$ 4,222,237**	**3.09**
Tentative Map Property											
Developer[(11)]	60	$ 2,950,065	$ 0	0.0%	$ 74,196	7.8%	$ 1,200,192	$ 0	$ 24,310	$ 1,224,503	2.41
Subtotal Tentative Map Property	**60**	**$ 2,950,065**	**$ 0**	**0.0%**	**$ 74,196**	**7.8%**	**$ 1,200,192**	**$ 0**	**$ 24,310**	**$ 1,224,503**	**2.41**
Undeveloped Property											
Developer[(12)]	1,350	$ 19,013,186	$ 0	0.0%	$ 617,513	65.3%	$ 0	$ 4,915,000	$ 156,679	$ 5,071,679	3.75
Subtotal Undeveloped Property	**1,350**	**$ 19,013,186**	**$ 0**	**0.0%**	**$ 617,513**	**65.3%**	**$ 0**	**$ 4,915,000**	**$ 156,679**	**$ 5,071,679**	**3.75**
Totals	**1,573**	**$ 35,000,000**	**$ 242,819**	**100.0%**	**$ 946,087**	**100.0%**	**$ 5,315,000**	**$ 4,915,000**	**$ 288,419**	**$ 10,518,419**	**3.33**

(1) Reflects ownership status as of June 1, 2022.
(2) Based on estimates set forth in the Market Absorption Report and the Appraisal Report.
(3) Based on the Appraisal Report, as of the Date of Value.
(4) Reflects the estimated Fiscal Year 2022-23 Special Tax levy on Final Subdivision Property (MDR 5 and the first phase of development in MDR 8) at the Assigned Special Tax rate for Final Subdivision Property.
(5) Reflects the Maximum Special Tax rate on Final Subdivision Property, Tentative Map Property and Undeveloped Property.
(6) Principal amount of Non-Escrow Bonds on Final Subdivision Property and Tentative Map Property is allocated based on the proportion of the Fiscal Year 2022-23 Maximum Special Tax rates on such property. Interest on the Non-Escrow Bonds has been capitalized through December 1, 2022.
(7) Interest on the Escrow Bonds has been capitalized through September 1, 2024 and the Escrow Bonds have been sized based on Net Special Tax revenues to be generated from MDR 6 and MDR 7.
(8) Reflects overlapping general obligation and assessment debt. Allocated based on the share of the appraised value of the Taxable Property in Improvement Area No. 2, as set forth in the Appraisal Report. See Table 1 above.
(9) Reflects all Taxable Property in MDR 5. The Joint Venture Entity was formed by the Developer and an affiliate of Signature Homes.
(10) Reflects the property within the first phase of development in MDR 8, which is planned to include 76 for-sale single-family homes. The Developer currently expects Signature Homes to acquire the property for the first phase of development in MDR 8, which is planned for 76 of the 136 units in MDR 8, in June 2022.
(11) Reflects all the property relating to the second phase of development in MDR 8.
(12) Includes all Taxable Property in Improvement Area No. 2, other than MDR 5 and MDR 8.

Source: Special Tax Consultant; Market Absorption Consultant; Appraiser; the Underwriter and California Municipal Statistics, Inc.

Delinquency History

Fiscal Year 2022-23 will be the first year of the Special Tax levy. As a result, no delinquency history with respect to the Special Tax exists.

Improvement Area No. 2 is currently included in the County's Teeter Plan and, as a result, the City expects to receive 100% of the Special Tax levy with respect to Improvement Area No. 2, without regard to the actual amount of collections. See "SECURITY FOR THE BONDS — Teeter Plan" and "SPECIAL RISK FACTORS—Teeter Plan Termination."

Debt Service Coverage

The Non-Escrow Bonds have been sized based on the Net Special Tax Revenues from property in MDR 5 and MDR 8 at buildout, assuming there will be a total of 223 medium density residential units within such Villages at buildout. Based on the current development status, the Net Special Tax Revenues that could be generated from Taxable Property in MDR 5 and MDR 8, based on a levy at the Maximum Special Tax rates, is approximately $19,000 less than the amount that could be generated from Taxable Property in such Villages after the second phase of MDR 8 is classified as Final Subdivision Property. However, Net Special Tax Revenues from all Taxable Property in Improvement Area No. 2 are pledged to the payment of the Bonds. Interest on the Non-Escrow Bonds will be paid from capitalized interest through December 1, 2022.

The Escrow Bonds have been sized based on the Net Special Tax Revenues from property in MDR 6 and MDR 7 at buildout, assuming there will be a total of 198 medium density residential units within such Villages at buildout. Interest on the Escrow Bonds through no earlier than December 1, 2023 will be paid from amounts transferred from the Escrow Fund. In the event that the Escrow Fund Release Conditions are not satisfied on or prior to the Escrow Fund Release Cut-Off Date of June 1, 2024, then amounts in the Escrow Fund will be applied to pay interest due on the Escrow Bonds up through and including September 1, 2024 and to redeem the Escrow Bonds on September 1, 2024.

The Bonds have been sized assuming no Special Tax revenues from the HDR Villages and the mixed-use Village are needed for payment of the Bonds, however, pursuant to the Amended Rate and Method, the City can levy the Special Tax on the HDR Villages and the mixed-use Village if necessary to meet the Special Tax Requirement. The current expectation is that the property in MDR 5 through MDR 8 will be developed ahead of the HDR Villages and the mixed-use Village.

Table 4 below shows the estimated Special Tax revenues to be derived from each Village at full buildout. Table 5 below shows the estimated net debt service coverage on the Non-Escrow Bonds, the Escrow Bonds, and the Bonds in total, based on the assumptions described above and the assumption that the City delivers an Escrow Fund Release Certificate to the Trustee after June 1, 2023 but before the Escrow Fund Release Cut-Off Date (June 1, 2024), which would allow amounts to be released from the Escrow Fund to the Acquisition and Construction Fund with respect to the Escrow Bonds.

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TABLE 4
CITY OF SACRAMENTO
DELTA SHORES COMMUNITY FACILITIES DISTRICT 2019-01 (IMPROVEMENTS)
IMPROVEMENT AREA NO. 2
ESTIMATED SPECIAL TAX BY VILLAGE AT BUILDOUT
(FISCAL YEAR 2022-23 ASSIGNED SPECIAL TAX RATES)

Land Use Class	*Village*	*Planned Residential Units*[(1)]	*Assigned Special Tax per Unit*	*Estimated Special Tax Revenue*[(2)]
2	MDR-5	87	$1,560	$135,772.20
2	MDR-6	102	1,560	159,181.20
2	MDR-7	96	1,560	149,817.60
2	MDR-8	136	1,560	212,241.60
3	HDR-6	232	255	59,160.00
3	HDR-7	187	255	47,685.00
3	HDR-8	159	255	40,545.00
3	HDR-9	217	255	55,335.00
3	HDR-10	232	255	59,160.00
4	MU-1	125	255	31,875.00
Totals		**1,573**		**$950,772.60**

(1) Based on current development plans provided by the Developer.
(2) On each July 1, commencing July 1, 2022, the Expected Revenue shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.
Source: Special Tax Consultant; Market Absorption Consultant.

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TABLE 5
CITY OF SACRAMENTO
DELTA SHORES COMMUNITY FACILITIES DISTRICT 2019-01 (IMPROVEMENTS)
IMPROVEMENT AREA NO. 2
VILLAGES MDR-5, MDR-6, MDR-7, AND MDR-8
ESTIMATED NET DEBT SERVICE COVERAGE

Non-Escrow Bonds Net Debt Service Coverage						*Escrow Bonds Net Debt Service Coverage*				*Total Net Debt Service Coverage*					
Fiscal Year	*Maximum Special Tax*[1]	*Priority Administrative Expenses*	*Net Maximum Special Tax*	*Net Debt Service*[2]	*Coverage*	*Fiscal Year*	*Maximum Special Tax*[3]	*Net Debt Service*[4]	*Coverage*	*Fiscal Year*	*Maximum Special Tax*	*Priority Administrative Expenses*	*Net Maximum Special Tax*	*Net Debt Service*	*Coverage*
2021-22	$341,190	$20,000	$321,190	-	n/a	2021-22	$302,940	-	n/a	2021-22	$644,130	$20,000	$624,130	-	n/a
2022-23	348,014	20,600	327,414	$222,219	1.47	2022-23	308,999	-	n/a	2022-23	657,013	20,400	636,613	$222,219	2.86
2023-24	354,974	21,218	333,756	299,388	1.11	2023-24	315,179	-	n/a	2023-24	670,153	20,808	649,345	299,388	2.17
2024-25	362,074	21,855	340,219	303,913	1.12	2024-25	321,482	$287,613	1.12	2024-25	683,556	21,224	662,332	591,525	1.12
2025-26	369,315	22,510	346,805	313,200	1.11	2025-26	327,912	297,325	1.10	2025-26	697,227	21,649	675,578	610,525	1.11
2026-27	376,701	23,185	353,516	317,013	1.12	2026-27	334,470	301,463	1.11	2026-27	711,172	22,082	689,090	618,475	1.11
2027-28	384,235	23,881	360,354	320,588	1.12	2027-28	341,160	305,313	1.12	2027-28	725,395	22,523	702,872	625,900	1.12
2028-29	391,920	24,597	367,323	328,925	1.12	2028-29	347,983	313,875	1.11	2028-29	739,903	22,974	716,929	642,800	1.12
2029-30	399,758	25,335	374,423	336,788	1.11	2029-30	354,942	321,863	1.10	2029-30	754,701	23,433	731,268	658,650	1.11
2030-31	407,754	26,095	381,658	344,175	1.11	2030-31	362,041	324,275	1.12	2030-31	769,795	23,902	745,893	668,450	1.12
2031-32	415,909	26,878	389,030	351,088	1.11	2031-32	369,282	331,400	1.11	2031-32	785,191	24,380	760,811	682,488	1.11
2032-33	424,227	27,685	396,542	357,525	1.11	2032-33	376,668	337,950	1.11	2032-33	800,895	24,867	776,027	695,475	1.12
2033-34	432,711	28,515	404,196	362,850	1.11	2033-34	384,201	348,925	1.10	2033-34	816,913	25,365	791,548	711,775	1.11
2034-35	441,366	29,371	411,995	367,625	1.12	2034-35	391,885	354,038	1.11	2034-35	833,251	25,872	807,379	721,663	1.12
2035-36	450,193	30,252	419,941	376,850	1.11	2035-36	399,723	358,575	1.11	2035-36	849,916	26,390	823,526	735,425	1.12
2036-37	459,197	31,159	428,037	385,250	1.11	2036-37	407,717	367,538	1.11	2036-37	866,914	26,917	839,997	752,788	1.12
2037-38	468,381	32,094	436,287	392,825	1.11	2037-38	415,872	375,638	1.11	2037-38	884,252	27,456	856,797	768,463	1.11
2038-39	477,748	33,057	444,691	399,575	1.11	2038-39	424,189	382,875	1.11	2038-39	901,938	28,005	873,933	782,450	1.12
2039-40	487,303	34,049	453,255	405,500	1.12	2039-40	432,673	389,250	1.11	2039-40	919,976	28,565	891,411	794,750	1.12
2040-41	497,049	35,070	461,979	415,600	1.11	2040-41	441,326	399,763	1.10	2040-41	938,376	29,136	909,240	815,363	1.12
2041-42	506,990	36,122	470,868	419,600	1.12	2041-42	450,153	404,125	1.11	2041-42	957,143	29,719	927,424	823,725	1.13
2042-43	517,130	37,206	479,924	427,775	1.12	2042-43	459,156	412,625	1.11	2042-43	976,286	30,313	945,973	840,400	1.13
2043-44	527,473	38,322	489,151	439,850	1.11	2043-44	468,339	424,975	1.10	2043-44	995,812	30,920	964,892	864,825	1.12
2044-45	538,022	39,472	498,551	445,550	1.12	2044-45	477,706	430,888	1.11	2044-45	1,015,728	31,538	984,190	876,438	1.12
2045-46	548,783	40,656	508,127	455,150	1.12	2045-46	487,260	440,650	1.11	2045-46	1,036,043	32,169	1,003,874	895,800	1.12
2046-47	559,758	41,876	517,883	463,375	1.12	2046-47	497,005	448,975	1.11	2046-47	1,056,764	32,812	1,023,951	912,350	1.12
2047-48	570,954	43,132	527,822	475,225	1.11	2047-48	506,945	455,863	1.11	2047-48	1,077,899	33,468	1,044,430	931,088	1.12
2048-49	582,373	44,426	537,947	480,425	1.12	2048-49	517,084	466,313	1.11	2048-49	1,099,457	34,138	1,065,319	946,738	1.13
2049-50	594,020	45,759	548,261	489,250	1.12	2049-50	527,426	475,038	1.11	2049-50	1,121,446	34,820	1,086,625	964,288	1.13
2050-51	605,900	47,131	558,769	501,425	1.11	2050-51	537,974	487,038	1.10	2050-51	1,143,875	35,517	1,108,358	988,463	1.12
2051-52[5]	618,018	48,545	569,473	21,563	26.41	2051-52	548,734	26,683	20.56	2051-52	1,166,752	36,227	1,130,525	48,247	23.43

(1) Non-Escrow Bonds sized based on Special Tax revenues from Villages MDR-5 and MDR-8 at buildout.
(2) Interest capitalized through and including December 1, 2022. Reserve Fund credit applied to the debt service due in the final year.
(3) Escrow Bonds sized based on Special Tax revenues from Villages MDR-6 and MDR-7 at buildout. See "THE BONDS — Redemption" and "SOURCES OF PAYMENT FOR THE BONDS — Escrow Fund" herein.
(4) Interest capitalized up through and including September 1, 2024. Reserve Fund credit applied to the debt service due in the final year.
(5) Reserve Fund credit applied to the debt service due in the final year.
Source: Special Tax Consultant and the Underwriter.

DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 2

The information in this section about the Developer and Signature Homes and the developments within Improvement Area No. 2 has been provided by the Developer and Signature Homes and has not been independently confirmed or verified by the Underwriter or the City. The Underwriter and the City make no representation as to the accuracy or adequacy of the information contained in this section, including, but not limited to the description of the Signature Homes purchase and sale agreements with the Developer, the Joint Venture Agreement (as such terms are defined below) and any other agreement between Signature Homes and the Developer or their respective affiliates with respect to the Delta Shores project.

The information provided in this section has been included because it may be considered relevant to an informed evaluation and analysis of the Bonds. No assurance can be given, however, that the proposed development of the property within Improvement Area No. 2 will occur in a timely manner or in the configuration or to the density described in this Official Statement, or that the Developer, Signature Homes, or any owners or affiliates thereof, or any other property owner described in this Official Statement will or will not retain ownership of its respective property within Improvement Area No. 2. Neither the Bonds nor the Special Tax represent personal obligations of any property owner within Improvement Area No. 2. The Bonds are secured by and payable solely from Net Special Tax Revenues and amounts on deposit in certain of the funds and accounts established and maintained under the Indenture. See "SPECIAL RISK FACTORS" for a discussion of certain of the risk factors that should be considered in evaluating the investment quality of the Bonds. Neither the Bonds nor the Special Tax are personal obligations of the property owners within Improvement Area No. 2 or any affiliate thereof and, in the event that a property owner defaults in the payment of its Special Tax, the City may proceed with judicial foreclosure, but has no direct recourse to the assets of such property owner or any affiliate thereof.

Delta Shores, the District and Improvement Area No. 2

Delta Shores. The property in Improvement Area No. 2 is part of an approximately 782-acre new master-planned community being developed by M&H Realty Partners VI, L.P., a California limited partnership (previously defined as the "Developer"), being marketed as "Delta Shores." Delta Shores is located in the southern portion of the City, approximately 10 miles from downtown Sacramento. Delta Shores is bordered to the north by the developed Meadowview community, to the south by an open space "buffer zone" between the Sacramento Regional County Sanitation District's treatment plant, to the west by the Sacramento River, and to the east by Morrison Creek and existing communities. See the page following the table of contents for a depiction of the location of the Delta Shores community. In 2016, a new freeway interchange and extension of Cosumnes River Boulevard (a major thoroughfare bisecting the Delta Shores site) was completed, providing direct access to the site from the Interstate 5 freeway.

Delta Shores is currently entitled for up to 5,222 residential units and approximately 1.3 million square feet of commercial and retail space, approximately 144 acres of open space and a mixed-use town center of approximately 20 acres. At buildout, Delta Shores is expected to include approximately 2,300 for-sale low and medium density single-family homes, 1,700 high-density housing units in for-rent and for-sale offerings, 1.3 million square feet of retail and commercial space, two new elementary schools, a community center and approximately 144 acres of parks, a City fire station and open space.

A portion of the planned retail development within Delta Shores known as the South Regional Shopping Center has been completed by the Developer. The completed portion is located adjacent to the Interstate 5 freeway and consists of approximately 900,000 square feet of retail space and associated parking facilities. Current anchor tenants include Wal Mart, PetSmart, Dick's Sporting Goods, Ross, RC Wiley, At Home, Floor & Décor and Regal Cinema. As of April 1, 2022, approximately 95% of the space within the completed retail development had been leased. The Developer has sold approximately half of the South Regional Shopping Center and it currently owns the balance of the property.

The District. The District consists of approximately 535 acres and includes the property within the Delta Shores community with the exception of the completed retail development described above, which is not within the District. The District is divided into three improvement areas. The first phase of the residential development of Delta Shores is included within Improvement Area No. 2. Improvement Area No. 1 is located across the Interstate 5 freeway to the west of Improvement Area No. 2 and is planned for a mix of low, medium and high-density residential developments as well as parks and open space. Improvement Area No. 3 is located to the north of Improvement Area No. 2 and is planned for a mix of low, medium and high-density residential, parks, a community center, an elementary school and open space. ***The property in Improvement Area No. 1 and Improvement Area No. 3 is not subject to the levy of the Special Tax and is not security for the Bonds.***

Improvement Area No. 2. Improvement Area No. 2 consists of approximately 146 gross acres and is bordered to the west by the existing retail development, to the north by Cosumnes River Boulevard and to the south and west by Delta Shores Circle. The development within Improvement Area No. 2 is planned for 421 single-family detached homes, approximately 1,027 high-density residential units (which may be rental units) and approximately 5.5 acres zoned for a mixed-use development with approximately 125 residential units. The Developer currently anticipates that the residential component of the mixed-use Village will be for-rent units under a "build-for-rent" model. Build-for-rent units are generally units which have products more typical of medium/lower density single-family developments (e.g. no units above or below other units) but which are intended to be for-rent and not for-sale. Improvement Area No. 2 is also planned to include two parks totaling approximately 32 acres, an elementary school to be owned and operated by the Sacramento City Unified School District, and a wet detention basin (which is complete).

The Developer has completed certain major backbone infrastructure necessary for development in Improvement Area No. 2, which includes arterial roadways surrounding the property, related traffic signal improvements wet utilities, dry utilities and wet storm water detention ponds to serve the entire Delta Shores community. As further described herein, the collector roadways (and associated wet and dry utilities) from which the individual project Villages within Improvement Area No. 2 are to be accessed, as well as all in-tract infrastructure, remain to be constructed. As described below, Signature Homes plans to construct substantially all such remaining infrastructure. See "Infrastructure Development — *Developer Completed Infrastructure*."

Four of the Villages are referred to herein as "MDR" (i.e. medium density residential) and are currently planned for a total of 421 single-family detached homes. Six of the project Villages are referred to herein as "HDR" (i.e. high-density residential) and are planned for a total of 1,027 high-density residential units, which are currently anticipated to be for-rent apartment units, however, such units may also be for-sale units based on current zoning. In addition, one Village is zoned for a mixed-use development with approximately 125 residential units, which the Developer currently anticipates will be for-rent units under a "build-for-rent" model as described above. The following table summarizes the currently anticipated development within each of the Villages in Improvement Area No. 2.

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Village	*Planned Residential Units*
MDR-5[(1)]	87
MDR-6[(2)]	102
MDR-7[(2)]	96
MDR-8[(2)]	136
HDR-6	232
HDR-7	187
HDR-8	159
HDR-9	217
HDR-10	232
MU-1	125
Total	**1,573**

(1) Property has been transferred to the Joint Venture Entity. See "— Joint Venture with Signature Homes."
(2) Property is under contract to be sold to Signature Homes. See "— Acquisition of MDR Villages by Signature Homes." The Developer currently expects Signature Homes to acquire the property for the first phase of development in MDR 8, which is planned for 76 of the 136 units in MDR 8, in June 2022.
Source: the Developer.

The property in MDR 5 has been transferred to the Joint Venture Entity formed by the Developer and an affiliated entity of Signature Homes. The balance of the MDR Villages (MDR 6, MDR 7 and MDR 8) are subject to purchase and sale agreements between the Developer and Signature Homes. The Developer currently expects Signature Homes to acquire the property for the first phase of development in MDR 8, which is planned for 76 of the 136 units in MDR 8, in June 2022. The Developer is not aware of any events or issues which would materially delay or prevent the acquisition of such property by Signature Homes, however, no assurances can be made that such acquisition will occur.

The Developer has not yet finalized any development plans with respect to the property in Improvement Area No. 2 planned for high-density residential land uses (i.e., the HDR Villages) and the mixed-use Village. The Developer may convey all or a portion of such property to third-party builders and/or enter into joint ventures to develop all or a portion of such property.

The balance of the property in Improvement Area No. 2 which is not planned for residential development consists of property for a future elementary school site, a neighborhood park and community park, roads and other public rights of way.

For more information on the Developer and Signature Homes, see the caption "PROPERTY OWNERSHIP."

Entitlements and Required Mitigation Monitoring

General. In 2009, the City Council approved a series of entitlements relating to the development of Delta Shores, including approval of the Delta Shores Planned Unit Development (PUD), which envisioned the project as a mix of commercial and residential development, a development agreement, the original Delta Shores Public Facilities Finance Plan (the "2009 Finance Plan"), master and tentative parcel maps, and the certification of the project Environmental Impact Report ("EIR"). Since the completion of the 2009 Finance Plan, development in Delta Shores commenced with the completion of the South Regional Commercial Shopping Center (as described above). In addition to the South Regional Commercial Shopping Center, major regional and backbone infrastructure components were constructed including an Interstate 5 freeway interchange, Cosumnes River Boulevard, wet detention ponds, arterial roadways, traffic signals, water, drainage sewer, electric, gas and telecommunication improvements. The Updated Delta Shores Finance Plan approved by the City Council in 2019 (the "Updated Finance Plan") presents a strategy to finance the remaining backbone infrastructure and other public facilities serving the proposed land uses within the Delta

Shores project area. The Updated Finance Plan includes updates to land use assumptions, completed and remaining backbone infrastructure and public facility costs.

Located adjacent to the Delta Shores development is an approximately 141-acre site proposed for an approximately 1,160 unit residential development known as "Stone-Beetland" (formerly known as "Stone-Boswell"). While there is no current timeframe for commencement of Stone-Beetland, the expectation is that certain backbone infrastructure constructed and to be constructed with respect to Delta Shores will also serve the adjacent Stone-Beetland development. The Updated Finance Plan also considers funding and reimbursement obligations associated with the Stone-Beetland site as part of an overall update to the development and infrastructure funding strategy for Delta Shores. The Updated Finance Plan includes the use of existing fee programs, the development of a new plan area fee program (the "Delta Shores Impact Fee"), implementation of a land-secured financing district (i.e. the District), and the use of other funding mechanisms.

Development Agreement. In 2009, the City and the Developer entered into a development agreement with respect to Delta Shores, as approved by the City Council by Ordinance No. 2009-002 on January 13, 2009 (the "Original Development Agreement"). Pursuant to the Original Development Agreement and together with the amendments described below (as amended, the "Development Agreement"), the Developer is vested with the right to develop the Delta Shores project with up to 2,012 single-family homes, 3,210 multifamily homes (subject to adjustment as development occurs), and up to 1.3 million square feet of commercial and retail space, subject to compliance with the terms and conditions of the Development Agreement. The Development Agreement includes mitigation measures to be satisfied and fees to be paid in order to achieve full buildout of the Delta Shores project, certain of which are described below. Aside from such mitigation measures to be satisfied, payment of fees and satisfaction of certain City conditions of approval for final subdivision maps as development within Delta Shores progresses, the Developer has obtained all discretionary approvals from State and federal agencies in order to complete the Delta Shores project. Sufficient capacity for water (which is provided by the City) and sewer (which is provided by the City (collection services) and the Sacramento Regional County Sanitation District (treatment services)) is available to achieve full buildout of Delta Shores. The following describes the amendments to the Original Development Agreement that have been executed and delivered:

First Amendment. After the approval of the EIR for Delta Shores (as described below under "— *Environmental Review*"), a group of petitioners challenged the EIR. The City, the Developer and the petitioners entered into a settlement agreement (the "Settlement Agreement") pursuant to which the parties agreed to amend the Original Development Agreement to include certain mitigation measures for certain parcels within Delta Shores located within 500 feet of the Interstate 5 freeway. In accordance with the Settlement Agreement, the City and the Developer entered into the First Amendment to the Original Development Agreement, dated as of October 6, 2010 (the "First Amendment"). The First Amendment provided that such mitigation measures would be required if a Health Risk Assessment Report prepared pursuant to the terms of the Settlement Agreement finds that the health risk posed to residents within 500 feet of the Interstate 5 freeway is elevated beyond thresholds set forth in the Settlement Agreement. Mitigation measures required include: (1) planting of certain types of trees on those affected parcels which are considered to be effective in reducing particulates; (2) installing air intakes for multi-family residential buildings as far away from the Interstate 5 freeway as possible; (3) installing air filtering systems in residential units which are designed to filter particulates; and (4) installing inoperable windows in any residential units with a view facing the Interstate 5 freeway. No parcels within Improvement Area No. 2 are located within 500 feet of the Interstate 5 freeway. The Developer expects to comply with the foregoing mitigation measures as necessary with respect to the affected parcels within Delta Shores.

Second Amendment. The Original Development Agreement required that the Developer pay Delta Shores' fair share of costs of regional facilities, including library facilities. In addition, the Original Development Agreement required that the Developer transfer $4 million to the City for the development of a community park no later than the issuance of the 3,375th residential building permit within Delta Shores. In 2015, the City, the Developer and certain landowners within Delta Shores (as assignees of the Developer) entered into the Second Amendment to the Original Development Agreement to: (1) provide that Delta Shore's share of the costs of regional library facilities shall only be used to provide such services and facilities within Delta Shores; and (2) the payment of $4 million to the City for the costs of a community park may be satisfied if paid as a subcomponent of a Delta Shores Impact Fee as set forth in the Updated Finance Plan (as described below under "—*Delta Shores Impact Fee*"). The Developer currently expects that the $4 million amount owed with respect to the community park will be paid through the Delta Shores Impact Fee prior to the issuance of the 3,375th residential building permit within Delta Shores.

Third Amendment. In 2015, the City adopted a new City-wide affordable housing requirement which allowed previously approved projects to comply with an adopted Inclusionary Housing Plan or with the new Mixed-Income Housing Ordinance ("MIHO"). The Developer opted to comply with the MIHO to satisfy the affordable housing requirement with respect to Delta Shores. In 2020, the City, the Developer and certain landowners within Delta Shores (as assignees of the Developer) entered into the Third Amendment to the Original Development Agreement to allow for Delta Shores to meet the City's affordable housing requirement through the MIHO. See "—*Affordable Housing Requirement*" below for a description of the affordable housing requirement for Delta Shores.

Affordable Housing Requirement. The MIHO requires the approval of a "Mixed Income Housing Strategy" that obligates a developer to provide for affordable housing. The obligation can be satisfied through the payment of housing impact fees, land dedication, construction of affordable housing units, or through a combination of these options. In accordance therewith, the Developer elected to dedicate land to the Sacramento Housing and Redevelopment Agency ("SHRA") consistent with the guidelines established pursuant to City Code in order to fully satisfy Delta Shores' obligations under the MIHO. The Developer currently plans to dedicate a total of approximately 15.89 buildable acres (all of which are located outside of Improvement Area No. 2) to the SHRA (the "Affordable Housing Planning Areas"). Based on SHRA's guidelines for land dedication under the MIHO, the 15.89 buildable acres of land identified for dedication can accommodate 429 affordable housing units, which corresponds to a total capacity of 5,921 market rate homes at Delta Shores.

Building permits may not be issued for more than 50 percent of the market rate homes within Delta Shores prior to dedication of the Affordable Housing Planning Areas to SHRA. When fee credits are obtained through land dedication, appropriate zoning (except site plan and design review for the affordable development proposed on the dedicated sites) are required to be in place prior to recordation of the final map for the project. Further, the final map for the projects are conditioned upon: (1) recordation of an Affordable Housing Regulatory Agreement on the dedicated site; (2) transfer of title of the dedicated site to SHRA; and (3) delivery of infrastructure necessary to accommodate the affordable housing component at the dedicated site.

Prior to dedication and SHRA taking ownership of the Affordable Housing Planning Areas, the Developer will need to construct or cause to be constructed the necessary off-site infrastructure, including street, curb/gutter, sidewalk, sewer, water, gas, electric, and other infrastructure and stubbed to the applicable lots. Pursuant to SHRA requirements, the dedicated sites must be located within a ¼ mile of at least three of the following amenities:

- An existing or planned public elementary, middle, or high school;
- An existing or planned public park or recreational facility;
- An existing or planned transit stop;
- An existing or planned grocery store.

The infrastructure described above that are prerequisites to dedicate the Affordable Housing Planning Areas to the SHRA have not yet been constructed. However, the Developer currently expects to meet the affordable housing requirements for Delta Shores prior to the time 50 percent of the building permits for the market rate homes within Delta Shores are to be issued. The Developer does not expect such requirements to adversely impact the projected development timing and sale of homes within Improvement Area No. 2 as described in this Official Statement.

Parks. With respect to the Delta Shores project, at the time of the entitlement approvals, the City required the total parkland dedication such that the number of dwelling units, multiplied by a factor, will produce five acres of parkland per each thousand population. The City requirement for parkland dedication for Delta Shores has since been reduced, such that excess parkland has been designated in the Delta Shores master plan. Pursuant to the Development Agreement, the total parkland dedication for Delta Shores is approximately 61.28 acres, which amount may be revised based on the type and actual number of units constructed. The large lot tentative map for the property within Improvement Area No. 2 includes a neighborhood park of approximately 6.13 acres and a community park of approximately 26.25 acres for a total of 32.38 acres. The Developer expects to allocate the necessary acreage within Improvement Area No. 1 and Improvement Area No. 3 to satisfy the remaining parkland dedication. The Developer has not yet transferred ownership of any property dedicated for parkland within Delta Shores to the City. The Developer expects to dedicate the 6.13 acre park acreage within Improvement Area No. 2 for parkland in conjunction with the development of MDR 5, MDR 6 and MDR 8 and dedicate the 26.25 acre community park acreage in conjunction with the HDR Village requirements. The Developer is not required to complete any park facility improvements on the property to be dedicated to the City as parkland.

The City's development impact fees that are allocated to fund community/neighborhood parks will be required to be paid for each residential unit that is developed. In addition, as described under "—*Development Agreement* —Second Amendment," the Developer is required under the Development Agreement to pay $4 million to the City for the costs of a community park, which amount may be satisfied through payment of the Delta Shores Impact Fee described below under "—*Delta Shores Impact Fee*." Assuming Signature Homes acquires and develops the remaining MDR Villages as currently planned, Signature Homes will be required to pay such fees with respect to the MDR Villages. The future developers, if any, of the HDR Villages will be required to pay the park fees with respect to such property as development thereon commences.

Delta Shores Impact Fee. As required by the Development Agreement, the Developer caused to be prepared the Updated Finance Plan setting forth the funding sources for the required backbone infrastructure, public facilities, development fees and maintenance costs for the Delta Shores project. The Updated Finance Plan requires a "Delta Shores Impact Fee" to be paid on a per-unit basis for the residential component of the Delta Shores project, and on a per-acre basis for any commercial component. The Delta Shores Impact Fee is to be used to fund the cost of regional infrastructure, backbone infrastructure and public facilities that are not funded by existing City impact fee programs or other sources of revenue. Such infrastructure and facilities include roadways, sewer, storm drainage, parks, trails, open space, police and fire, transit and library costs. The Delta Shores Impact Fee currently ranges from $11,780 to $19,754 for residential and mixed-use units and $35.11 to $37.02 per square foot for retail uses.

Similar to the payment of development impact fees to fund park improvements, assuming Signature Homes acquires and develops the remaining MDR Villages as currently planned, Signature Homes will be required to pay the Delta Shores Impact Fee with respect to the MDR Villages. The future developers, if any, of the HDR Villages will be required to pay the Delta Shores Impact Fee with respect to such property as development thereon commences.

A proposed development adjacent to Delta Shores known as "Stone-Beetland" is expected to benefit from the public infrastructure that has been and expected to be constructed for Delta Shores. As currently set forth in the City Code, the Delta Shores Impact Fee is authorized to be charged to the Stone-Beetland development to pay for its share of such infrastructure. See "— Entitlements and Required Mitigation Monitoring — *General*."

School Mitigation Payments. As part of the conditions for a final large-lot map for the area within Improvement Area No. 2, the Developer and the Sacramento City Unified School District (the "School

District") entered into a School Site Reserve Agreement (the "School Site Agreement") pursuant to which the Developer reserved an approximately 10-acre site within Improvement Area No. 2 for an elementary school. The School Site Agreement provides the School District with the option, but not the obligation, to purchase the intended school site. Pursuant to the School Site Agreement, the Developer is required to complete the improvements necessary to serve the school site (i.e., completed access roadways and all utilities completed to the site boundary), at which point the School District shall have two years to purchase the site from the Developer. The purchase price shall be determined at the time of purchase. The Developer currently expects that the infrastructure necessary to convey the school site in Improvement Area No. 2 to the School District will be complete by 2025. Pursuant to the Amended Rate and Method, the site reserved for the school is Exempt Property under the Amended Rate and Method and not currently subject to the Special Tax.

In addition to the reservation of the school site as described in the preceding paragraph, statutory school fees will be required to be paid for each residential unit within Improvement Area No. 2 as a condition to the issuance of building permits for such units. Assuming Signature Homes acquires and develops the remaining MDR Villages as currently planned, Signature Homes will be required to pay the statutory school fees with respect to the MDR Villages. The future developers, if any, of the HDR Villages will be required to pay school fees with respect to such property as development thereon commences.

Other than the reservation of the school site and the payment of statutory school fees, there are no other conditions to be satisfied with respect to the School District in order to obtain building permits and certificates of occupancy for the planned residential units within Improvement Area No. 2.

Environmental Matters

Environmental Review. The environmental review process for the Delta Shores project began in 2006 with the preparation of a draft environmental impact report. In January 2009, the City certified the final EIR. Certain modifications in the project plan have been made since the certification of the EIR in 2009. Since that time, as a result of certain modifications to the Delta Shores development plan, addendums to the EIR have been approved.

In 2021, a Phase 1 Environmental Site Assessment was prepared for the property within Improvement Area No. 2 which identified no evidence of recognized environmental conditions, historical recognized environmental conditions, or controlled recognized environmental conditions.

The Developer has satisfied all conditions of approval and has obtained all discretionary approvals from State and federal agencies in order to complete the Delta Shores project. Such approvals and permits include, among others, a Section 404 permit under the federal Clean Water Act, incidental take permits from the State and federal agencies and a Section 1602 Permit (Lake and Streambed Alteration) from the State. All appeal periods with respect to such approvals have expired. However, as described below, there are several ongoing monitoring and mitigation actions required to be complied with in connection with construction activities in the Delta Shores, including Improvement Area No. 2.

Mitigation Monitoring Plan. As required by the EIR and the Development Agreement, there are ongoing monitoring activities required in connection with the Delta Shores development that are set forth in a mitigation monitoring plan (the "Mitigation Monitoring Plan"). The Developer currently does not expect compliance with the Mitigation Monitoring Plan to result in any significant costs increases or delays for the proposed development in Delta Shores, including Improvement Area No. 2. However, no assurances can be made that actions necessary to comply with the Mitigation Monitoring Program will not result in such costs increases and/or delays, which may be significant. Certain of the ongoing mitigation requirements during the development phase within Delta Shores, including Improvement Area No. 2, are described below. Through assignment of the Development Agreement, the Developer expects that each developer/builder of a Village will be responsible for compliance with the Mitigation Monitoring Plan as such Villages are developed.

Wetlands. The Mitigation Monitoring Plan requires, where feasible, the preservation of existing wetlands and establishment of a minimum of 250-foot buffers around wetlands with listed species or 50-foot buffers around wetlands without listed species. There are no preserved wetlands in Improvement Area No. 2. However, where wetlands are preserved, a Wetland Avoidance Plan ("WAP") is required to be prepared by a qualified biologist and submitted to the City for review and approval prior to the issuance of grading permits or any groundbreaking activity.

Where avoidance of existing wetlands and drainages is not feasible, mitigation measures shall be implemented prior to the approval of grading permits or any groundbreaking activity within 250 feet of wetlands for the project-related loss of any existing wetlands, such that there is no net loss of wetland acreage or habitat value. The required distance can be reduced to 50 feet where surveys show no special status species within wetland features. Mitigation is required to be provided prior to construction related impacts on the existing wetlands.

Preservation of Raptor Foraging Habitat: The Mitigation Monitoring Plan requires that, prior to the issuance of grading permits, an equal amount of suitable raptor foraging habitat shall be preserved at a 1:1 ratio. This requirement was satisfied for the entire Delta Shores master plan with the placement of an offsite conservation easement in 2012. Preservation is required to occur through the purchase of credits at mitigation banks approved by the California Department of Fish and Wildlife ("CDFG"), or through the purchase of conservation easement or fee title of lands with suitable foraging habitat within a 10-mile radius of the perimeter of the project site, or through any combination of the foregoing. A mitigation plan shall be established and submitted to the City for approval prior to the issuance of grading permits and, at a minimum, shall include confirmation of title and encumbrances, details on mitigation site location, development, maintenance and monitoring.

Surveys Required for Active Bird Nests. The Mitigation Monitoring Plan requires that, between March 1 and August 1, a qualified biologist shall conduct nest surveys within 30 days prior to any demolition/construction or ground disturbing activities that are within ¼ mile of potential nest trees. A pre-construction survey shall be submitted to CDFG and the City that includes: (1) a description of the methodology including dates of field visits, the names of survey personnel with resumes, and a list of references cited and persons contacted; and (2) a map showing the location(s) of raptor and migratory bird nests observed on the project site. If no active nests of Migratory Bird Treaty Act, CDFG or United States Fish and Wildlife Service-covered species are identified then no further mitigation is required.

Should active nests of protected bird species be identified in the survey, the project applicant, in consultation with the City and CDFG, shall delay construction in the vicinity of active nest sites during the breeding season (March 1 through August 1) while the nest is occupied with adults and/or young. A qualified biologist shall monitor any occupied nest to determine when the nest is no longer used. If the construction cannot be delayed, avoidance shall include the establishment of a non-disturbance buffer zone around the nest site.

Surveys Required for Nesting Migratory Birds. The Mitigation Monitoring Plan requires that, prior to any demolition/construction activities that occur between March 1 and September 15, a qualified biologist shall conduct surveys for nesting migratory birds on the project site and within a half mile of demolition/construction activities unless the City and CDFG approve a reduced survey area. Surveys shall be conducted no more than 30 days prior to the start of any site disturbance for each phase of the project. If active nests are found, measures are required to be implemented to avoid impacts to nesting migratory birds, including: (1) nest trees shall not be removed unless there is no feasible way of avoiding their removal; (2) if there is no feasible alternative to removing a nest tree, authorization to remove shall be obtained from CDFG with the tree removal period (generally between October 1 and February 1) to be specified by CDFG; (3) no intensive disturbances (e.g., heavy equipment operation associated with construction, use of cranes or draglines, new rock crushing activities) or other project-related activities that could cause nest abandonment or forced fledging, shall be initiated within half mile or less, as determined by CDFG, of an active Swainson's hawk nest or 500 feet for other nesting migratory birds, between March 1 and September 15 or until August 15 if authorization or a biological opinion is obtained from CDFG; and (4) if demolition/construction activities are unavoidable within the buffer zone of an active Swainson's hawk nest site, the project applicant shall consult with the CDFG and the City, and if necessary, obtain an incidental take permit pursuant to State law.

Survey for Burrowing Owl. The Mitigation Monitoring Plan requires that, prior to the issuance of grading permits, a qualified biologist shall conduct a pre-construction burrowing owl survey in accordance with most current version of the California Burrowing Owl Consortium Burrowing Owl Survey Protocol and Mitigation Guidelines. Surveys shall be conducted no more than 30 days prior to the start of any demolition or construction activities. If no suitable burrows are found, no further mitigation is required. If suitable burrows are found, but no owls are found, all burrows shall be hand-excavated and collapsed prior to project construction. If nesting owls are found, no disturbance shall be allowed within 160 feet of the active nest burrow between February 1 and August 31. Outside the nesting season, and/or upon confirmation by the qualified biologist, and in consultation with CDFG, that all young have fledged and left an active nest, burrowing owls present in the burrow shall be excluded from the burrow(s) by a qualified biologist through a passive relocation as outlined in the California Burrowing Owl Consortium's April 1993 Burrowing Owl Survey Protocol and Mitigation Guidelines. Once the burrows have been cleared, they must be hand-excavated and collapsed prior to project construction.

To offset the loss of foraging and burrow habitat on the project site, and prior to issuance of grading permits, the Developer shall preserve a minimum of 6.5 acres of foraging habitat (calculated on a 100 meter foraging radius around the burrow) in accordance with the most current California Burrowing Owl Consortium's (April 1993) Burrowing Owl Survey Protocol and Mitigation Guidelines. The protected lands shall be adjacent to burrowing owl habitat and at a location acceptable to CDFG. Preservation shall occur through the purchase of conservation easements or fee title of lands. The Developer shall provide funding for long-term management and monitoring of the protected lands, by way of an endowment account (based on a Property Analysis Record type analysis) that is approved by CDFG. A mitigation and monitoring plan shall be submitted to CDFG and the City for approval and include details on mitigation site location, development, maintenance and monitoring. The monitoring plan shall include success criteria, remedial measures, and an annual report to the Department. This mitigation could overlap with mitigation provided for Swainson's hawk foraging habitat as deemed appropriate by CDFG.

If destruction of occupied burrows is unavoidable, the project applicant shall coordinate with CDFG to identify existing suitable burrows located on the protected lands site to be enhanced (enlarged or cleared of debris) or new burrows created (by installing artificial burrows).

Infrastructure Development

Developer Completed Infrastructure. The Developer completed certain major backbone infrastructure necessary for development in Improvement Area No. 2. Such infrastructure includes Cosumnes River Boulevard and Delta Shores Circle South, which are the main arterial roadways surrounding Improvement Area No, 2, as well as all related traffic signal improvements, wet utilities, dry utilities and wet storm water detention ponds to serve the entire Delta Shores community.

Remaining backbone infrastructure for which the Developer is responsible for the development within Improvement Area No. 2 includes improvements to an existing sewer pump station necessary to serve Villages MDR 6, MDR 7 and a portion of MDR 8 (totaling approximately $1 million), minor off-site traffic improvements (totaling approximately $343,000) and a regional sewer lift station and force main (totaling approximately $5.1 million). The Developer expects to enter into an agreement pursuant to which Signature Homes will cause the improvements to the existing sewer pump station to be constructed, however, the Developer will be responsible for the costs thereof. The regional sewer lift station is required to be constructed once development within Delta Shores exceeds 1.2 million gallons per day of sewer generation. The Developer does not expect to exceed such threshold until approximately 1,400 to 1,600 residential units are completed. The Developer does not expect that the requirement to construct the regional sewer lift station will impact the timing of buildout within the MDR Villages as described herein.

Additional Infrastructure and In-Tract Infrastructure. As described under "— Infrastructure and Home Construction by Signature Homes," assuming Signature Homes acquires MDR 6, MDR 7 and MDR 8 within Improvement Area No. 2, Signature Homes plans to construct the remaining backbone infrastructure necessary to develop such property. The Developer will not be responsible for the construction of such infrastructure, however, because certain of the infrastructure to be constructed by Signature Homes will benefit the property owned by the Developer (i.e. all property other than the MDR Villages), the Developer and Signature Homes are currently negotiating an agreement to share in the costs of such infrastructure. The total estimated cost of such infrastructure is between $14.8 million to $17.3 million (which includes soft costs). The Developer's share of such costs is currently estimated to be between approximately $7.8 million to $9.1. The actual amount of such costs and the Developer's share thereof can be expected to vary based on actual construction bids received. The Developer expects to pay for its share of such infrastructure costs from internal funds. Certain of such costs are also expected to be allocated to the Joint Venture Entity. See "—Joint Venture with Signature Homes" below and "—Signature Homes Financing Plan" for additional details on the foregoing cost sharing arrangement.

Amenities. Other than park sites, which are to be dedicated to the City, no additional amenities are planned within Improvement Area No. 2.

Mapping Status. A large lot final map for the property in Improvement Area No. 2 was recorded in November 2021. Final subdivision maps have been recorded for MDR 5 and the first phase of MDR 8 (planned for 76 of the 136 units in MDR 8). Signature Homes is responsible for undertaking the process for approval and recordation of the final subdivision maps for MDR 6, MDR 7 and the second phase of MDR 8. See "— Infrastructure and Home Construction by Signature Homes — *Final Subdivision Mapping*."

Developer Financing Plan

General. Through the Date of Value, the Developer has expended in excess of $80 million on backbone infrastructure and related soft costs necessary to develop the property in the District (which includes costs of infrastructure located outside of Improvement Area No. 2 but which benefits Improvement Area No. 2) and in excess of $10 million on environmental mitigation costs on the Delta Shores development as a whole. Other than the remaining costs of the improvements to the existing sewer pump station, the regional sewer lift station, the shared costs with Signature Homes for certain infrastructure and minor traffic improvements described above under "— *Developer Completed Infrastructure*," the Developer does not expect to incur any significant additional costs for infrastructure with respect to the Delta Shores development. The Developer expects to pay for such costs with internal funds. See "—Signature Homes Financing Plan" for additional details on the foregoing cost sharing arrangement.

The Developer has not finalized development plans with respect to the property in Improvement Area No. 2 planned for high-density residential land uses (i.e. the HDR Villages) and the mixed-use Village. The Developer may sell such property or enter into joint ventures to develop such property.

Joint Venture with Signature Homes

The Developer and DS-5, LLC, which is an affiliated entity of Signature Homes, established the Joint Venture Entity pursuant to that certain "Limited Liability Company Operating Agreement of MHRP/Signature Homes, JV I, LLC" (the "Joint Venture Agreement") to develop the property in MDR 5 into 87 for-sale single-family detached homes. The members of DS-5, LLC are individuals of the executive team of Signature Homes, Inc. Due to their affiliation, DS-5, LLC and Signature Homes, Inc. are each referred to herein as "Signature Homes."

Pursuant to the Joint Venture Agreement, the Developer contributed the land within MDR 5 and the Developer and Signature Homes each made initial capital contributions. Under the Joint Venture Agreement, Signature Homes is responsible to contribute for all costs necessary to complete the planned homes and all related infrastructure (including soft costs). The Developer is not required to provide any additional capital contributions but may elect to do so.

As described under "Infrastructure Development—*Additional Infrastructure and In-Tract Infrastructure*" above and "—Signature Homes Financing Plan," certain costs of infrastructure to be constructed by Signature Homes will benefit property not under contract to be acquired by Signature Homes, including MDR 5, which is owned by the Joint Venture Entity. Under the cost sharing arrangement currently being negotiated by the Developer and Signature Homes, a portion of such costs is anticipated to be allocated to the Joint Venture Entity. Based on the total estimated cost of such infrastructure of between approximately $14.8 million to $17.3 million, the Joint Venture Entity's share of such costs is currently estimated to be between approximately $1.3 million to $1.5 million. The actual amount of such costs and the Joint Venture Entity's share thereof can be expected to vary based on actual construction bids received.

Under the Joint Venture Agreement, Signature Homes is responsible for all day-to-day management and control of the Joint Venture Entity's business, including overseeing the development of the property in MDR 5. The Joint Venture Agreement sets forth the Developer's profit participation share which is to be paid to the Developer from proceeds of home sales. After the final sale of the homes planned for MDR 5, the Developer may elect to require that Signature Homes acquire all of the Developer's interest in the Joint Venture Entity, at which point Signature Homes will agree to be responsible for all patent or latent defects in the project. See "— Infrastructure and Home Construction by Signature Homes."

Acquisition of MDR Villages by Signature Homes

General. As described herein, the Developer and Signature Homes have entered into agreements pursuant to which Signature Homes has agreed to acquire the property within MDR 6, MDR 7 and MDR 8, subject to closing conditions, certain of which are described below. Signature Homes plans to assign each of such purchase and sale agreements to single purpose entities to be managed by Signature Homes and owned by members of the executive team of Signature Homes. The single purpose entity which is expected to take title to the property in MDR 8, as assignee of Signatures Homes under the MDR 8 purchase and sale agreement, will be DS-8, LLC. The single purpose entities which are expected to be assignees of Signatures Homes under the purchase and sale agreements for MDR 6 and MDR 7 are expected to be formed prior to the time the closings thereunder are expected to take place. Due to their affiliation, such single purpose entities and Signature Homes, Inc. are each referred to herein as "Signature Homes." Signature Homes, Inc. is expected to be responsible for making the decisions relating to the development within MDR 6, MDR 7 and MDR 8.

Subject to satisfaction of closing conditions, the Developer will deliver the property in MDR 6, MDR 7 and MDR 8 in an undeveloped condition (with backbone infrastructure described above in place). Signature Homes will be responsible for grading and all remaining infrastructure for such property, including collector roadways, traffic improvements, related wet and dry utilities and in-tract infrastructure.

Condition Precedent – Sewer Condition. A condition precedent to Signature Homes' obligation to acquire the property in MDR 6, MDR 7 and the second takedown of property in MDR 8 (as described below) is that the Developer has determined, and the City has agreed, that existing sewer capacity is sufficient for the planned development within such property. Certain improvements must be installed so that an existing sewer pump station will be able to provide sufficient sewer service for such property (referred to herein as the "Sewer Condition"). The Developer and Signature Homes expect to enter into an agreement for Signature Homes to cause the installation of such improvements. The current expectation is that the improvements necessary to satisfy the Sewer Condition will be complete by the end of 2022.

MDR 8 Purchase and Sale Agreement. With respect to MDR 8, the Developer and Signature Homes have entered into an Agreement of Purchase and Sale and Joint Escrow Instructions dated as of June 24, 2021 (the "MDR 8 Agreement") pursuant to which Signature Homes has agreed to purchase the property in MDR 8 planned for 136 for-sale single-family detached homes. Under the MDR 8 Agreement, Signature Homes is responsible for processing and paying all costs relating to the conditions of approval necessary to record the final subdivision maps for MDR 8, including posting all bonds related thereto. Under the MDR 8 Agreement, Signature Homes shall acquire property relating to 76 planned homes in MDR 8 within three days of satisfaction of such mapping conditions for such property (the "Initial Takedown"), as such timeframe may be extended as agreed upon by the Developer and Signature Homes. Signature Homes' obligation to acquire the balance of the property in MDR 8 (the "Subsequent Takedown") is subject to: (1) the Initial Takedown having occurred; and (2) satisfaction of the Sewer Condition.

The due diligence period under the MDR 8 Agreement has expired. Subject to the satisfaction of the mapping conditions and the Sewer Condition, Signature Homes is committed to purchasing all of the property in MDR 8. Since the effectiveness of the MDR 8 Agreement, Signature Homes and the Developer have been working with the City to satisfy the conditions of approval necessary to record the final subdivision maps for MDR 8. There are two final subdivision maps being processed for MDR-8 which relate to the property in the Initial Takedown and the Subsequent Takedown, respectively. The final subdivision map with respect to the Initial Takedown has been satisfied, which allows for the Initial Takedown to occur. The initial takedown is expected to occur in June 2022. Signature Homes is not aware of any events or issues which would materially delay or prevent the Initial Takedown, however, no assurances can be made that the Initial Takedown will occur. Assuming the Sewer Condition and all other conditions of approval are satisfied, the current estimate is that the final subdivision map for the property in the Subsequent Takedown will be recorded by the end of 2022, at which point the Subsequent Takedown is expected to occur.

If the Initial Takedown does not occur due to a default by Signature Homes, the Developer is entitled to retain Signature Homes' deposit as liquidated damages. If the Initial Takedown has occurred and the Subsequent Takedown does not occur due to a default by Signature Homes, the Developer is entitled to seek specific performance of the MDR 8 Agreement. If the MDR 8 Agreement is not consummated due to a default by the Developer, Signature Homes may seek specific performance of the sale of the property in MDR 8 or terminate the MDR 8 Agreement and receive a refund of its deposit.

After Signature Homes acquires the property in MDR 8, Signature Homes shall be responsible for all conditions under the Development Agreement applicable to the property in MDR 8, including the ongoing mitigation monitoring activities described above under "Environmental Matters — *Mitigation Monitoring Plan*."

MDR 6 and MDR 7 Purchase and Sale Agreements. MDR 6 and MDR 7 are planned for 102 and 96 for-sale single-family detached homes, respectively. With respect to each of MDR 6 and MDR 7, the Developer and Signature Homes have entered into an Agreement of Purchase and Sale and Joint Escrow Instructions dated as of September 7, 2021 and September 22, 2021, respectively (the "MDR 6 Agreement" and the "MDR 7 Agreement," respectively) pursuant to which Signature Homes has agreed to purchase the property therein. Under the MDR 6 Agreement and the MDR 7 Agreement, Signature Homes is responsible for processing and paying all costs relating to the conditions of approval necessary to record the final subdivision maps for such property, including posting all bonds related thereto. The MDR 6 Agreement and the MDR 7 Agreement each currently provide for a closing date of October 31, 2022. However, if the Sewer Condition is not satisfied by October 31, 2022, the closing date will be automatically extended to the date which is 15 days after satisfaction of the Sewer Condition. As noted above, the Sewer Condition is expected to be satisfied by the end of 2022.

The due diligence period under the MDR 6 Agreement and the MDR 7 Agreement have expired. Subject to the satisfaction of the mapping conditions and the Sewer Condition, Signature Homes is committed to purchasing all of the property in MDR 6 and MDR 7. Since the effectiveness of the MDR 6 Agreement and the MDR 7 Agreement, Signature Homes and the Developer have been working with the City to satisfy the conditions of approval necessary to record the final subdivision maps for such property. If the closing does not occur on the scheduled closing date due to a default by a party thereto, subject to agreement to extend the closing date, the non-defaulting party may terminate the agreement.

Under each of the MDR 6 Agreement and MDR 7 Agreement, if the closing does not occur due to a default by Signature Homes, the Developer is entitled to retain Signature Homes' deposit as liquidated damages. Under each of the MDR 6 Agreement and MDR 7 Agreement, if the closing is not consummated due to a default by the Developer, Signature Homes may seek specific performance of the sale of the property thereunder or terminate the agreement and receive a refund of its deposits.

After Signature Homes acquires the property in MDR 6 and the MDR 7, Signature Homes shall be responsible for all conditions under the Development Agreement applicable to the property in MDR 6 and MDR 7, including the ongoing mitigation monitoring activities described above under "— Environmental Matters — *Mitigation Monitoring Plan*."

Infrastructure and Home Construction by Signature Homes

No assurances can be made that Signature Homes or any other current or future owner of taxable property within Improvement Area No. 2 will have the resources, willingness, and ability to successfully complete development activities on the property within Improvement Area No. 2. No representation is made as to the ability (financial or otherwise) of Signature Homes or any other current or future owner of taxable property within Improvement Area No. 2 to complete development as currently planned.

Infrastructure Development Plan. As described above, under the Joint Venture Agreement and the purchase and sale agreements between the Developer and Signature Homes with respect to MDR 6 through 8, assuming Signature Homes acquires such property, Signature Homes is responsible for grading and construction of all interior collector roads, the related utilities and drainage, traffic improvements, landscaping and all in-tract infrastructure necessary to bring such property to a finished lot status.

Signature Homes expects to enter in one or more agreements with the Developer pursuant to which Signature Homes will agree to mass grade all of the property in Improvement Area No. 2 (other than the property planned for the community park). The expectation is that the owners of each individual Village will undertake the final grading activities with respect to their property as development occurs. Subject to obtaining the necessary City approvals, Signature Homes expects to begin grading activities in approximately June 2022. See "Environmental Matters — *Mitigation Monitoring Plan*." above for a description of the ongoing environmental mitigation measures which relate to grading activities.

Signature Homes expects to commence construction of the roadways necessary to access MDR 5 and MDR 8 and associated wet and dry utilities in July 2022, which would allow for the planned commencement of model home construction in January 2023. The timing of construction of the infrastructure necessary to develop MDR 6 and MDR 7 is dependent on the timing of satisfaction of certain conditions of approval necessary to record the final subdivision maps, including the Sewer Condition. As described above, the Sewer Condition is expected to be satisfied by the end of 2022.

Final Subdivision Mapping. As set forth above under "SOURCES OF PAYMENT FOR THE BONDS — Escrow Fund," in the event the Escrow Fund Release Conditions are not satisfied by the Escrow Fund Release Cut-Off Date, as evidenced by City delivering an Escrow Fund Release Certificate to the Trustee, a portion of the amounts in the Escrow Fund will be used to redeem the Escrow Bonds as described under "THE BONDS — Redemption — *Mandatory Redemption of Escrow Bonds from Escrow Fund*." As defined in the Indenture, "Escrow Fund Release Conditions" means that the City has determined that a final subdivision map or final subdivision maps that create individual lots for which residential building permits may be issued without further subdivision of such property has or have been approved and recorded for the area known, as of the date of issuance of the Bonds, as MDR 6 and MDR 7, and which area is comprised of Parcel 8 and Parcel 2 as shown on that certain Master Parcel Map of Delta Shores Phase 2 filed on November 19, 2021 in Book 245 of the parcel maps maintained by the County of Sacramento Recorder at Page 10 and also identified as document number 202111190728.

In order to obtain approval and recordation of a final subdivision map creating individual lots on which homes will be constructed (i.e. within a Village), the City requires completion of all improvements, including, but not limited to, streets, public ways, public utility facilities which are part of: (1) provisions for lot grading and drainage that are required by the California Subdivision Map Act (being Sections 66410 et. seq. of the California Government Code); (2) subdivision regulations of the City; and (3) the related tentative map and final grading plans, if any, previously approved by the City (collectively, the "Required Improvements"). As an alternative, the City may approve a final subdivision map prior to completion of the Required Improvements if the developer of the property enters into a Subdivision Improvement Agreement with the City which provides, among other provisions, that: (a) the developer shall complete all Required Improvements to specifications required by the City within a certain timeframe (subject to extensions to be agreed upon); (b) the developer shall furnish to the City (1) a performance bond equal 100% of the estimated cost of the Required Improvements, securing the faithful performance under the Subdivision Improvement Agreement; and (2) a payment bond equal to 50% of the estimated cost of the Required Improvements, securing payment to the contractors, the subcontractors and others providing labor for the construction of the Required Improvements.

Signature Homes has entered into Subdivision Improvement Agreements with respect to MDR 5 and the first phase of MDR 8 (e.g. the Initial Takedown). The timing of the Subdivision Improvement Agreements for MDR 6, MDR 7 and the property relating to the Subsequent Takedown in MDR 8 is dependent on the timing of satisfaction of certain conditions of approval necessary to record the final subdivision maps, including the Sewer Condition. As described above, the Sewer Condition is expected to be satisfied by the end of 2022.

The following table shows the actual and estimated timing of the subdivision maps for the areas planned for medium density products within Improvement Area No. 2.

SMALL LOT FINAL MAP RECORDING STATUS

Project Area	***Number of Planned Units/ Parcels***	***Final Subdivision Map Estimated Recording Date***[(1)]
MDR 5	87	May 2022
MDR 8 (Initial Takedown)	76	May 2022
MDR 6	102	End of 2022
MDR 7	96	End of 2022
MDR 8 (Subsequent Takedown)	60	End of 2022
Total	**421**	

(1) Final subdivision maps for the property in MDR 5 and the Initial Takedown in MDR 8 have been recorded. The timing of recordation of the final subdivision maps for MDR 6, MDR 7 and the property relating to the Subsequent Takedown in MDR 8 is dependent on the timing of satisfaction of certain conditions of approval, including the Sewer Condition. See "—Co*ndition Precedent – Sewer Condition*" above.

Source: Signature Homes.

Home Construction Plans. As described above, the property within MDR 5, which is planned for 87 for-sale single-family detached homes, has been transferred to the Joint Venture Entity. The property in MDR 6, MDR 7 and MDR 8 (planned for a total of 334 for-sale single-family detached homes) are under contract to be acquired by Signature Homes. The following sections summarize Signature Homes' current home development plans within MDR 5 through MDR 8. As described below, the projects in MDR 5 and MDR 8 are planned to commence first, with the projects in MDR 6 and MDR 7 to follow.

MDR 5. The property in MDR 5 is planned for 87 for-sale single-family detached homes. The property in MDR 5 has been transferred to the Joint Venture Entity. With respect to the property in MDR 5, Signature Homes plans to complete the necessary infrastructure to commence model home construction in January 2023 and to commence home sales in the second quarter of 2023. Signature Homes currently estimates completing and closing all homes in MDR 5 to individual homeowners by the end of 2025.

MDR 8 – Phase 1. The property in MDR 8 is planned for 136 for-sale single-family detached homes with the project proceeding in two phases, coinciding with the property in the Initial Takedown and the Subsequent Takedown. With respect to the first phase, which is planned for 76 homes, Signature Homes plans to complete the necessary infrastructure to commence model home construction in January 2023 and to commence home sales in the second quarter of 2023. Signature Homes currently estimates completing and closing all 76 homes in the first phase of MDR 8 to individual homeowners by the end of 2025.

MDR 6; MDR 7 and MDR 8 - Phase 2. The property in MDR 6, MDR 7 and the second phase of MDR 8 is planned for 102, 96 and 60 for-sale single-family detached homes, respectively. The timing of Signature Homes' acquisition of the property within such Villages is dependent on the satisfaction of certain conditions of approval necessary to record the final subdivision maps, including the Sewer Condition. This, in turn, affects the timing for home construction and sales. As described above, the Sewer Condition is expected to be satisfied by the end of 2022. Signature Homes currently expects to commence site work on the property in MDR 6, MDR 7 and the second phase of MDR 8 at the time it acquires such property. Signature Homes expects the site work to be complete in approximately six months, at which point Signature Homes expects to commence model home construction. Signature Homes expects to commence home sales in such Villages in approximately the second quarter of 2024. Signature Homes estimates an absorption rate of approximately four homes per month within each Village and estimated sellout in 2026.

Signature Homes has reviewed the absorption schedule set forth under "— Market Absorption Study" and believes the absorption schedule for MDR 5 is achievable. Assuming the Sewer Condition is satisfied by the end of 2022, Signature Homes believes the absorption schedules in the Market Absorption Study for MDR 6, MDR 7 and MDR 8 are achievable.

The following table sets forth the estimated number of lots, home sizes, lot sizes and estimated sales prices for Signature Homes' product lines planned within Improvement Area No. 2.

DEVELOPMENT PLANS BY NEIGHBORHOOD AND PLAN

Project Area	***Number of Planned Units/ Parcels***	***Estimated Home Sizes (Square Feet)***	***Estimated Minimum Lot Size (Square Feet)***	***Estimated Base Sales Prices[(1)]***
MDR 5	87	2,500 – 2,871	4,000	$655,000 - $675,000
MDR 6	102	1,597 – 1,987	1,550	$499,000 - $549,000
MDR 7	96	1,622 – 2,214	1,829	$540,000 - $590,000
MDR 8	136	1,940 – 2,521	3,116	$588,000 - $639,000
Total	**421**			

(1) Base home prices shown are as of the Date of Value and exclude lot premiums, options and extras and any incentives or price reductions. Base sales prices are subject to change.
Source: Signature Homes.

Signature Homes Financing Plan

General. Signature Homes currently estimates that its' total land acquisition, infrastructure, home construction (including all soft costs), marketing and other carrying costs for the projects in MDR 5 through MDR 8 to be approximately $241.5 million. Through December 31, 2021, Signature Homes has spent approximately $3.6 million on its planned projects in Improvement Area No. 2, which includes costs relating to processing subdivision maps, the capital contributions to the Joint Venture for MDR 5, and design and planning.

To date, Signature Homes has financed the costs of its proposed developments within Improvement Area No. 2 through internal funds. Signature Homes currently expects to finance the future land acquisition, infrastructure, home construction (including all soft costs), marketing and other carrying costs for its planned projects within MDR 5 through MDR 8 from internal funds, construction loans to be obtained, home sales revenues and reimbursements from the Developer as described in the following paragraph. Such funding includes all expected capital contributions to the Joint Venture Entity.

The Developer and Signature Homes are currently negotiating an agreement pursuant to which certain costs of infrastructure to be constructed by Signature Homes which also benefit property owned by the Developer (i.e. the HDR lots) are shared between Signature Homes, the Joint Venture Entity and the Developer. The cost sharing agreement is expected to allocate the costs of infrastructure to the Developer, the Joint Venture Entity and Signature Homes based on a fixed percentage of the actual amount incurred. The current expectation is that approximately 52.9%, 38.7% and 8.4% of such costs will be allocated to the Developer, Signature Homes and the Joint Venture Entity, respectively. The total estimated cost of such infrastructure is between $14.8 million to $17.3 million (which includes soft costs). Based on such estimated costs, approximately $7.8 million to $9.1 million will be allocated to the Developer, approximately $5.7 million to $6.7 million will be allocated to Signature Homes, and approximately $1.3 million to $1.5 million will be allocated to the Joint Venture Entity. The actual amount of such costs and therefore the foregoing allocations can be expected to vary based on actual construction bids received. The total amount that the Developer will owe Signature Homes under the cost sharing agreement, if finalized, will depend on the actual amount incurred for such infrastructure. No assurances can be made that an agreement will ultimately be reached or if an agreement is reached, the final terms of such agreement. Any delay in reaching an agreement, if at all, could cause a delay in Signature Homes' planned projects in Improvement Area No. 2.

The following table shows Signature Homes' estimated budget with respect to the projects in MDR 5 through MDR 8 as of May 1, 2022. Such estimates are subject to change.

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SIGNATURE HOMES BUDGET (MDR 5 THROUGH MDR 8)

	Total Budgeted Costs	*Through December 31, 2021*	*2022*	*2023*	*2024*	*Balance to Completion*
Sources of Funds						
Internal Funds/Home Sales Revenues	$ 283,621,000	$ 3,605,000	$ 20,350,000	$ 25,010,000	$ 101,421,000	$ 133,235,000
Construction Loans	203,865,000	-	14,375,000	66,570,000	72,780,000	50,140,000
Developer Reimbursement	9,100,000	-	3,990,000	5,110,000	-	-
Total	**$ 496,586,000**	**$ 3,605,000**	**$ 38,715,000**	**$ 96,690,000**	**$ 174,201,000**	**$ 183,375,000**
Uses of Funds						
Land Acquisition	$ 19,120,000	$ 2,400,000	$ 16,720,000	$ -	$ -	$ -
Major Infrastructure	21,800,000	-	7,000,000	11,000,000	3,800,000	-
In-Tract Infrastructure	17,200,000	-	4,000,000	7,000,000	6,200,000	-
Vertical/Home Construction	107,325,000	-	800,000	23,255,000	44,120,000	39,150,000
Impact Fees(1)	28,437,000	-	77,000	3,305,000	11,130,000	13,925,000
Loan Payoff	203,865,000	-	835,000	33,330,000	91,550,000	78,150,000
Soft Costs/Other	47,580,000	1,205,000	6,910,000	12,980,000	12,545,000	13,940,000
Total	**$ 445,327,000**	**$ 3,605,000**	**$ 36,342,000**	**$ 90,870,000**	**$ 169,345,000**	**$ 145,165,000**

(1) Includes school district and park fees and the Delta Shores Impact Fee.
Source: Signature Homes.

Construction Loans. In line with the manner in which it has financed other residential projects, Signature Homes expects to obtain a separate construction loan for each of its projects in Improvement Area No. 2 (i.e. MDR 5, MDR 6, MDR 7 and MDR 8) to finance a portion of the costs of such projects. Signature Homes currently expects to obtain such construction loans from banks from which Signature Homes has obtained construction loans for prior projects and with comparable loan structures. No assurances can be made, however, that such construction loans will be obtained.

Although Signature Homes expects to have sufficient funds available to complete its development in Improvement Area No. 2 in accordance with the development schedule described in this Official Statement, there can be no assurance that amounts necessary to finance the development costs will be available from Signature Homes or any other source when needed. Neither Signature Homes, nor any of its related entities are under any legal obligation of any kind to expend funds for the development of and construction of homes in Improvement Area No. 2. Any contributions by Signature Homes to fund the costs of such development are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by Signature Homes within Improvement Area No. 2 and other financing by Signature Homes is not put into place, there could be a shortfall in the funds required to complete the planned development by Signature Homes in Improvement Area No. 2.

COVID-19 (Coronavirus) Pandemic. Signature Homes has experienced increases in certain construction costs, supply chain delays, labor shortages, and increased cycle time for home deliveries. However, Signature Homes has not experienced any significant development delays resulting from work stoppages, reduced attendance of workers, or the ability to obtain necessary inspections and approvals for homes, which may be attributed, directly or indirectly, to the COVID-19 pandemic. While the cost increases and delays may have been and may continue to be intermittently affected by COVID-19, the majority of cost increases and delays can be attributable to the strength of the housing market and the result of vendors not anticipating the scale of the demand for housing materials.

No prediction can be made with respect to the ultimate effects of the COVID-19 outbreak and related public health and governmental authorities' orders and actions (including, without limitation, the scope of restrictions under any future County or State of California orders), on Signature Homes' ability to sell and close homes in Improvement Area No. 2. Such effects, if and as they arise, could have a material adverse effect on the ability to develop the homes in Improvement Area No. 2 as planned, and no assurance can be provided that Signature Homes will be able to (a) complete in whole or in any part, or within any particular time, its construction of infrastructure and homes within Improvement Area No. 2; (b) avoid material increases in development costs or delays resulting from work stoppages, reduced attendance of workers, shortages or delays in the delivery of building materials, and/or delays in obtaining necessary inspections and approvals; or (c) sell homes, and close home sales or not experience purchase contract cancellations, due to in each case to public health or governmental restrictions, further spread of COVID-19, an economic downturn driven by the pandemic, or otherwise.

PROPERTY OWNERSHIP

The information in this section about the Developer and Signature Homes has been provided by Developer and Signature Homes and has not been independently confirmed or verified by the Underwriter or the City. The Underwriter and the City make no representation as to the accuracy or adequacy of the information contained in this section.

The Developer

General. M&H Realty Partners VI, L.P. (previously defined as the "Developer") is a California limited partnership formed on August 1, 2003. M&H Realty Partners VI, L.P. was formed for the purpose of, among other things, acquiring, improving and developing real property. The General Partner of M&H Realty Partners VI, L.P. is MHRP VI L.P., a California Limited Partnership. The General Partner of MHRP VI L.P. is Merlone/Hagenbuch VI Inc. The key officers of Merlone/Hagenbuch VI Inc. are John J. Hagenbuch (Chairman and Secretary) and Peter J. Merlone (President and Treasurer). Brief biographies of the foregoing individuals are set forth below.

The Developer is formed and managed by individuals of Merlone Geier Partners ("Merlone Geier"). Merlone Geier and its affiliated entities have been active in real estimate investment, redevelopment and management activities on the west coast of the United States for approximately 40 years. Merlone Geier and its affiliated entities have primarily been focused on the acquisition and development of community and neighborhood shopping centers.

Peter J. Merlone. Peter Merlone is a founder, co-owner and managing partner of the general partner entities of Merlone Geier and Merlone Geier Management ("MGM"). Mr. Merlone is also a founder, co-owner and president of the general partner entities of M&H Realty Partners ("M&H"), the predecessor to Merlone Geier, and was a founder and president of M&H Property Management ("MHPM"), the predecessor to MGM. From 1986 to 1993, prior to the formation of the first M&H fund, Mr. Merlone was the founder and owner of The Merlone Company, MHPM's predecessor.

Since 1993, Mr. Merlone has overseen twelve institutional limited partnerships with aggregate equity capital commitments of $4.3 billion which have acquired 173 operating properties aggregating to over 28.5 million square feet of retail improvements. Mr. Merlone is a graduate of UCLA, simultaneously earning an undergraduate degree in economics, summa cum laude, and a master's degree in education; he was also elected to Phi Beta Kappa.

John J. Hagenbuch. John J. Hagenbuch is Chairman of M&H and WestLand Capital Partners, investment firms he co-founded in 1994 and 2010, respectively. Prior to the formation of M&H, Mr. Hagenbuch served from 1985-1993 as a general partner of Hellman & Friedman, a San Francisco-based investment banking and investment firm, which provided investment banking services to a wide range of clients and managed private equity partnerships with aggregate capital commitments in excess of $1 billion. Mr. Hagenbuch is the past director of several companies and charitable organizations. He graduated magna cum laude from Princeton University.

Projects. The following summarizes certain of Merlone Geier's projects:

The Village at San Antonio Center. Located in Mountain View, California, The Village at San Antonio Center is a multi-phase regional shopping center with retail, residential, hotel and office space. The two phases are complete and include approximately 225,000 square of retail space, 440,000 square feet of office space (which is 100% leased), a mixed-use component with 330 apartments, a boutique hotel and a nine-level parking structure. Anchor tenants include Safeway and a high-end cinema. The first two phases were completed in 2019.

Stella. Located in Marina Del Rey, California, Merlone Geier developed this project with 244 condominium units and 9,000 square feet of ground floor retail. Construction commenced in 2010 and the project reached stabilized occupancy in 2013. Merlone Geier sold the property in late 2013.

The UV. Located in Sacramento, California, Merlone Geier acquired this neighborhood shopping center in 2014 and reconfigured the site. The property now includes approximately 84,000 square feet of leasable space on approximately 7.6 acres. Approximately 91% of the space is currently leased.

Aurora Shopping Center. This project currently consists of a 130,000 square foot shopping center located in Seattle, Washington. Merlone Geier is currently remodeling the center, including the addition of approximately 35,000 square feet to be anchored by a national grocery chain.

Further information regarding Merlone Geier is available from its website at www.merlonegeier.com. This internet address is included for reference only, and the information on the internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement.

Signature Homes

General. Signature Homes, Inc. is a privately held California corporation headquartered in Pleasanton, California. Signature Homes is owned by the Ghielmetti family, and two individuals who are actively involved in the day-to-day operation: Gary Galindo (President and Chief Operating Officer) and Steve Miller (Executive Vice President of Land Acquisition & Forward Planning). Collectively, the owners have over 100 years of experience in the homebuilding industry. Founded in 1983 by James Ghielmetti, the company's primary business is homebuilding and land development, initially in the San Francisco Bay Area. Since 1995 Signature Homes has built communities in, among others, the cities of Sacramento, Davis, Folsom, Lincoln, Rocklin and Roseville, California. Signature Homes is presently building in Sacramento, Sonoma, Rohnert Park, Oakley, Lathrop, Folsom, Rocklin, Lincoln, Lodi and Roseville. The company is also involved in redevelopment and revitalization projects in older cities and neighborhoods, office construction and retail center development.

Key decisions for Signature Homes are principally made by its executive team, which consists of Jim Ghielmetti, Chairman of the Board and Chief Executive Officer; Gary Galindo, President and Chief Operating Officer; Steve Miller, Executive Vice President of Land Acquisition & Forward Planning; Juliann Cretsinger, Vice President of Sales and Marketing; and Ron Buck, Vice President of Operations. Additional information on Signature Homes Inc., including certain biographical information for the executive team, can be found on the "our culture" tab of www.sighomes.com. *This internet address is included for reference only and the information on the internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the internet site*.

Signature Homes has been and is actively developing several projects in northern California. The below table lists certain of Signature Homes' recent developments in northern California.

SIGNATURE HOMES
DEVELOPMENT PROJECTS

Project	***Actual/Anticipated Number of Units at Completion***	***Location***	***Status***
Bristol	42	Sonoma	Sold Out
Sycamore	114	Rohnert Park	Sold Out
Acacia	108	Oakley	Under Construction/Selling
Legacy	68	Folsom	Under Construction/Selling
Cardiff at River Islands	95	Lathrop	Under Construction/Selling
Lumina	150	Lodi	Under Land Development

Source: Signature Homes.

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks that are not appropriate investments for certain investors. 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 Bonds. The Bonds have not been rated by a rating agency. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed below could adversely affect the ability or willingness of property owners in Improvement Area No. 2 to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the City to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed below could adversely affect the value of the property in Improvement Area No. 2. See "—Property Values" and "— Limited Secondary Market."

Risks of Real Estate Secured Investments Generally

The Bond owners 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 Improvement Area No. 2, the supply of or demand for competitive properties in such area, and the market value of residential property or 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, fires and floods), which may result in uninsured losses; and (iv) high rate of inflation, rising interest rates and other economic trends that adversely affects consumers, whether cyclical or resulting from geopolitical events.

No assurance can be given that the Developer, Signature Homes (assuming Signature Homes acquires the property under contract), or any future builders or any future homeowners within Improvement Area No. 2 will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See "— Bankruptcy and Foreclosure" below, for a discussion of certain limitations on the City's ability to pursue judicial proceedings with respect to delinquent parcels.

Concentration of Ownership

Based on the ownership status of the property within Improvement Area No. 2 as of the Date of Value, approximately 46.6% and 53.4% of the estimated Fiscal Year 2022-23 Special Taxes would be paid by the Developer and the Joint Venture Entity, respectively. See "DEVELOPMENT OF PROPERTY IN

IMPROVEMENT AREA NO. 2" above. Failure of any developers currently owning property within Improvement Area No. 2, any future developers or any of their successor(s), to pay the Special Tax when due could result in a draw on the Bond Reserve Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. No assurance can be given that the Developer, the Joint Venture Entity, the current or any future merchant builders or their successors, will complete the remaining intended construction and development in Improvement Area No. 2. See "— Failure to Develop Property."

Construction of vertical improvements have not commenced on any portion of the property in Improvement Area No. 2. Therefore, the Special Tax will be levied on property which is presently undeveloped. In the event that the Developer, the Joint Venture Entity and Signature Homes (assuming Signature Homes acquires the property under contract) fail to complete the intended construction and development in Improvement Area No. 2, the Special Tax will continue to be levied on undeveloped property. No assurance can be given that the Developer, the Joint Venture Entity, Signature Homes (assuming Signature Homes acquires the property under contract) or any future merchant builders will pay the Special Tax in the future or that they will be able to pay such Special Tax on a timely basis. See "— Bankruptcy and Foreclosure" for a discussion of certain limitations on the City's ability to pursue judicial proceedings with respect to delinquent parcels.

Failure to Develop Property

Development of property within Improvement Area No. 2 may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the Developer, the Joint Venture Entity, Signature Homes (assuming Signature Homes acquires the property under contract), or any other future property owner to pay the Special Tax 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 Improvement Area No. 2 is also subject to the availability of water. Finally, development of land is subject to economic considerations.

The major infrastructure surrounding Improvement Area No. 2 is substantially complete. However, the property within Improvement Area No. is presently ungraded land and there remains significant onsite infrastructure to be constructed in order to develop such property. No assurance can be given that the remaining proposed development will be partially or fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Holders should it be necessary for the City to foreclose on the property due to the nonpayment of the Special Tax. The failure to complete development in Improvement Area No. 2 as planned, or substantial delays in the completion of the development due to litigation or other causes may reduce the value of the property within Improvement Area No. 2 and increase the length of time during which the Special Tax will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within Improvement Area No. 2 to pay the Special Tax when due.

There can be no assurance that land development operations within Improvement Area No. 2 will not be adversely affected by 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, the national economy, or other economic trends that adversely affects consumers, whether cyclical or resulting from geopolitical events. 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 Special Tax. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Holders should assume that any event that significantly impacts the ability to develop land in Improvement Area No. 2 would cause the property values within Improvement Area No. 2 to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within Improvement Area No. 2 to pay the Special Tax when due.

The City expects to levy the Special Tax on Final Subdivision Property in Fiscal Year 2022-23. The City will levy the Special Tax on property classified as Final Subdivision Property and Tentative Map Property, and if necessary, Undeveloped Property, in future fiscal years until the Special Tax levied on Developed Property is sufficient to fund the Special Tax Requirement. Property without vertical improvements is less valuable per unit of area than property with completed vertical improvements, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. Undeveloped property also provides less security to the Holders should it be necessary for the City to foreclose on such property due to the nonpayment of the Special Tax. Furthermore, an inability to develop the land within Improvement Area No. 2 as currently proposed will make the Holders dependent upon timely payment of the Special Tax levied on undeveloped property. A slowdown or stoppage in the continued development of Improvement Area No. 2 could reduce the willingness and ability of the Developer, the Joint Venture Entity and Signature Homes (assuming Signature Homes acquires the property under contract) to make Special Tax payments on property that they own and could greatly reduce the value of such property in the event it has to be foreclosed upon. See "—Property Values."

Inability to Access Escrow Fund

As described above under the caption "SOURCES OF PAYMENT FOR THE BONDS—Escrow Fund," certain conditions must be satisfied prior to the transfer of any money from the Escrow Fund to the Acquisition and Construction Fund (where it would be available to pay for Facilities). The failure to satisfy all of these conditions would mean that no additional money could be transferred from the Escrow Fund to the Acquisition and Construction Fund, and such funds will be applied to effect an early redemption of the Escrow Bonds, without premium. See "THE BONDS—Redemption." There can be no assurance that the conditions precedent contained in the Indenture will be satisfied in the timeframe required in order for all of the funds to be released from the Escrow Fund prior to the Escrow Fund Release Cut-Off Date of June 1, 2024.

If and to the extent that the conditions precedent in the Indenture have not been satisfied prior to the Escrow Fund Release Cut-Off Date, the amount then on deposit in the Escrow Fund will never be available for transfer to the Acquisition and Construction Fund, and such amount will never be available for the acquisition or construction of Facilities, effectively increasing the cost of development in Improvement Area No. 2 to the Developer.

Limited Obligations

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

Insufficiency of Special Tax

Under the Amended Rate and Method, the annual amount of Special Tax to be levied on Taxable Property in Improvement Area No. 2 will generally be based on Land Use Class to which a parcel of Taxable Property is assigned. See APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" and "SOURCES OF PAYMENT FOR THE BONDS — Special Tax — *Amended and Restated Rate and Method of Apportionment of Special Tax.*"

In order to pay debt service on the Bonds, it is necessary that the Special Tax be paid in a timely manner. The City will establish and fund upon the issuance of the Bonds a Bond Reserve Fund in an amount, initially, equal to the Required Bond Reserve to pay debt service on the Non-Escrow Bonds to the extent other funds are not available. The Required Bond Reserve will be revised in the event conditions precedent in the Indenture are satisfied prior to the Escrow Fund Release Cut-Off Date, and the amounts in the Escrow Fund are released to fund additional Facilities and to increase the balance in the Bond Reserve Fund. See "SOURCES OF PAYMENT FOR THE BONDS — Bond Reserve Fund."

The City will covenant in the Indenture to maintain in the Bond Reserve Fund an amount equal to the Required Bond Reserve, subject, however, to the limitation that the City may not levy the Special Tax in Improvement Area No. 2 in any fiscal year at a rate in excess of the maximum amounts permitted under the Amended Rate and Method. In addition, pursuant to the Act, under no circumstances will the Special Tax levied in any Fiscal Year against property within Improvement Area No. 2 for which an occupancy permit for private residential use has been issued be increased as a consequence of delinquency or default by the owner of any other property within Improvement Area No. 2 by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. As a result, if a significant number of delinquencies occur, the City could be unable to replenish the Bond Reserve Fund to the Required Bond Reserve due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Bond Reserve Fund could be depleted and a default on the Bonds could occur.

The City will covenant in the Indenture that, under certain conditions, it will institute foreclosure proceedings to sell any property with a delinquent Special Tax in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See "SOURCES OF PAYMENT FOR THE BONDS — Special Tax —*Foreclosure Covenant*" for provisions which apply in the event of such foreclosure and which the City is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are instituted, there could be a delay in payments to owners of the Bonds (if the Bond Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City of the proceeds of sale. The City may adjust the future Special Tax levied on Taxable Property in Improvement Area No. 2, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Bond Reserve Fund to an amount equal to the Required Bond Reserve and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against Taxable Property in Improvement Area No. 2 will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the maximum Special Tax rates. See "—Bankruptcy and Foreclosure" for a discussion of potential delays in foreclosure actions.

The Amended Rate and Method governing the levy of the Special Tax provides that no Special Tax shall be levied on up to 55.12 Acres of Non-Residential Property, Open Space Property, Property Owner Association Property, and Public Property (as such terms are defined in the Amended Rate and Method). In addition, no Special Tax shall be levied on Welfare Exempt Property under the conditions set forth in the Amended Rate and Method. See Section E of APPENDIX A — "AMENDED AND RESTATED RATE

AND METHOD OF APPORTIONMENT OF SPECIAL TAX." If for any reason property within Improvement Area No. 2 becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within Improvement Area No. 2. 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.

The Act provides that, if any property within Improvement Area No. 2 not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within Improvement Area No. 2 was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which 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.

Increasing Mortgage Interest Rates

Between approximately November 2021 and May 2022, interest rates for 30-year mortgage loans have increased from approximately 3.1% to 5.0%. Mortgage interest rates are expected to continue to increase in the near term. Increases in mortgage interest rates could have a negative impact on the estimated absorption rates and projected sales prices of the planned for-sale residential units in Improvement Area No. 2 described herein. With respect to entry-level households, increased mortgage interest rates may adversely impact the affordability of homes and may increase mortgage payment levels for owning a lower-priced home relative to renting a residence, thereby making purchasing less attractive. With respect to move-up households, higher mortgage interest rates may impact the desire of current homeowners to move from their present home due to the fact that their present home likely has a relatively low mortgage interest rate. In addition, the new home would likely have a higher interest rate on a new mortgage loan as well as higher purchase price and property taxes. Such considerations may decrease the desire for move-up households to purchase a new home. The foregoing factors could reduce demand for and/or the ability to achieve the sales prices of the planned for-sale homes within Improvement Area No. 2 as described herein.

Teeter Plan Termination

The County has implemented its Teeter Plan as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to its Teeter Plan, the County has elected to provide local agencies and taxing areas, including Improvement Area No. 2, with full tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County's Teeter Plan may protect the Holders of the Bonds from the risk of delinquencies in the payment of the Special Tax. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to Improvement Area No. 2 would eliminate such protection from delinquencies in the payment of the Special Tax. See "SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan."

No Representation as to Merchant Builders

No representation is made as to the experience, abilities or financial resources of Signature Homes or of any other purchaser or potential purchaser of property in Improvement Area No. 2 or the likelihood that such merchant builders, purchasers or potential purchasers will be successful in developing such purchased properties within Improvement Area No. 2 beyond the current stage of development. See “DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 2.” The description of expected development by the Developer, the Joint Venture Entity and Signature Homes in this Official Statement is based on information provided to the City by such entities and the Appraiser. In making an investment decision, purchasers of the Bonds should not assume that any current or future property owners within Improvement Area No. 2 will develop such properties beyond the current stage of development.

Natural Disasters

The market value of the property within Improvement Area No. 2 can be adversely affected by a variety of factors that may affect public and private improvements. Those additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements) and climatic conditions (such as droughts, fire hazard, and floods). Certain of such events may become more frequent or extreme as a result of climate change.

With respect to geologic conditions, building codes require that some of these factors be taken into account in the design of private improvements of the parcels, and the City has adopted the Uniform Building Code standards with regard to seismic standards. Design criteria are established upon the basis of a variety of considerations and may change, leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of establishment between the present costs of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Consequently, neither the absence of, nor the establishment of, design criteria with respect to any particular condition means that the applicable governmental agency has evaluated the condition and has established design criteria in the situations in which the criteria are needed to preserve value, or has established the criteria at levels that will preserve value. To the contrary, the City expects that one or more of such conditions may occur and may result in damage to improvements of varying seriousness; that the damage may entail significant repair or replacement costs; and that repair or replacement may never occur because of the cost, because repair or replacement will not facilitate habitability or other use, or because other considerations preclude repair or replacement. Under any of these circumstances, the actual value of the parcels might depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The property within Improvement Area No. 2 is not located in an Alquist Priolo Earthquake Study Zone and is not located within one-half mile of an active earthquake fault.

In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances entire neighborhoods have been destroyed. Several fires which occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. Additionally, property located adjacent to burn areas can be subject to mudslides and flooding, which can cause significant damage and destruction to property. Improvement Area No. 2 is not located in an area which the Department of Forestry and Fire Protection of the State of California has designated as a high fire hazard severity zone.

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 the 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 such substance. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

The value of the taxable property within Improvement Area No. 2, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The Developer has represented to the City that it is not aware of any hazardous substance condition of the property within Improvement Area No. 2. The City has not independently determined whether any owner (or operator) of any of the parcels within Improvement Area No. 2 has such a current liability with respect to any such parcel; nor is the City aware of any owner (or operator) who has such a liability. However, it is possible that such liabilities do currently exist and that the City is not aware of them.

Proximity to Wastewater Treatment Plant

Improvement Area No. 2 is located approximately a quarter mile from the property on which the Sacramento Regional County Sanitation District's Regional Wastewater Treatment Plant (the "Treatment Plant") is located. The Treatment Plant provides secondary wastewater treatment and disposal of substantially all wastewater generated by sewer systems of the cities of Sacramento and Folsom and the Sacramento Area Sewer District. Given the proximity of the Treatment Plant, there is a heightened potential for the property in Improvement Area No. 2 to be impacted by unintended discharge, spillage or overflow events occurring at the Treatment Plant. Such events could result in nuisance (e.g. odors) and potentially property damage. Any of such events could have a negative impact on property value in Improvement Area No. 2.

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

An owner of Taxable Property 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 Property. If the value of the parcel of Taxable Property is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the City has no recourse against the property owner.

Property Values

The value of the property within Improvement Area No. 2 is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of the Special Tax, the City's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Tax. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Tax. See "IMPROVEMENT AREA NO. 2 — Value-to-Lien Ratios."

The Appraisal Report does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of any landowner to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within Improvement Area No. 2, the listing of endangered species or the determination that habitat for endangered or threatened species exists within Improvement Area No. 2, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land within Improvement Area No. 2 could be sold for the amount stated in the Appraisal Report at a foreclosure sale as a result of delinquencies in the Special Tax. In arriving at the estimate of market value by ownership, the Appraiser assumes that any sale will be sold in a competitive market after a reasonable exposure time; the Appraiser also assumes that neither the buyer or seller is under duress, which is not always true in a foreclosure sale. See APPENDIX B — "APPRAISAL REPORT" for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the land within Improvement Area No. 2 below that estimated by the Appraiser.

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 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 any bid will be received for a parcel with delinquencies in the Special Tax offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquencies in the Special Tax. See APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens."

Parity Taxes and Special Assessments

Property within Improvement Area No. 2 is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within Improvement Area No. 2. See "IMPROVEMENT AREA NO. 2 — Direct and Overlapping Indebtedness."

The Special Tax 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 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 Tax has priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See "— Bankruptcy and Foreclosure."

The City has no control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* property taxes or assessments payable from all or a portion of the property within Improvement Area No. 2. In addition, the landowners within Improvement Area No. 2 may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes and *ad valorem* property taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Tax and could reduce the estimated value-to-lien ratios for the property within Improvement Area No. 2 described herein. See "SOURCES OF PAYMENT FOR THE BONDS" and "IMPROVEMENT AREA NO. 2 — Direct and Overlapping Indebtedness" and "—Value to Lien Ratios."

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax may be affected by whether the owner (1) was given due notice of the Special Tax authorization when the owner purchased the parcel; (2) 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 (3) has the ability at the time of such a levy to pay it as well as pay other expenses and obligations. The City has caused a notice of the Special Tax 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 Improvement Area No. 2 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 special tax under the Act of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6(b) 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.

Special Tax Collections

Under provisions of the Act, the Special Tax, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within Improvement Area No. 2 on the regular *ad valorem* property tax bills sent to owners of such properties by the County Tax Collector. 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 APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants of the City — Foreclosure of Special Tax Liens" for a discussion of the provisions which apply, and procedures which the City is obligated to follow under the Indenture, in the event of delinquencies in the payment of the Special Tax. See "— Bankruptcy and Foreclosure" for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the City's ability to foreclosure on the lien of the Special Tax in certain circumstances.

FDIC/Federal Government Interests in Properties

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

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

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to the Special Tax within Improvement Area No. 2 but does not pay taxes and assessments levied on the parcel (including the Special Tax), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

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

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Tax within Improvement Area No. 2, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. If any financial institution making any loan which is secured by real property within Improvement Area No. 2 is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid amounts of the Special Tax may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

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

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of the Special Tax on a parcel within Improvement Area No. 2 in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Tax to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Bond Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds. The payment of property owners' taxes and the ability of the City 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 "SOURCES OF PAYMENT FOR THE BONDS—Special Tax—*Foreclosure Covenant*." 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 Tax 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 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.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the "Bankruptcy Reform Act") included a provision which excepts from the Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court]." This amendment effectively makes the *Glasply* holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the *Glasply* ruling could still result in the treatment of post-petition special taxes as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court's ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current *ad valorem* property taxes.

The Act provides that the Special Tax is secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* property taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Special Tax levied after the filing of a petition in bankruptcy court. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Tax, the amount of the Special Tax received from parcels whose owners declare bankruptcy could be reduced.

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

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture, the Trustee is given the right for the equal benefit and protection of all Holders of the Bonds similarly situated to pursue certain remedies described in APPENDIX F — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Events of Default and Remedies."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the City in violation of its covenants in the Indenture with respect to compliance with certain provisions of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the Bonds are not subject to early redemption as a result of such event and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the City has committed to provide certain statutorily required financial and operating information, there can be no assurance that such information will be available to Holders on a timely basis. See "CONTINUING DISCLOSURE." Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds 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 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 as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Tax available to the City to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIIIC 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 Tax if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the City Council to reduce the Special Tax in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of the Special Tax 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 Tax 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 the Special Tax for Expenses.

The interpretation and application of Article XIII C and Article XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See "SPECIAL RISK FACTORS — Limitations on Remedies."

Litigation with Respect to Community Facilities Districts

Shapiro. The California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro* (2014) 228 Cal.App.4th 756 (the "San Diego Decision"). The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego ("San Diego"). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIIIA, Section 4 thereof and Article XIIIC, Section 2 thereof require that the electors in such an election be the registered voters within the district.

Horizon. The Sacramento County Superior Court had issued a tentative ruling in *Horizon Capital Investments, LLC v. City of Sacramento et al*. (Case No. 34-2017-80002661). That ruling subsequently became the court's final order. As described below, this case involved an election to approve the levy of a special tax within a community facilities district ("CFD") formed under the Act.

In 2017, the City initiated proceedings to form a CFD to finance certain costs to operate and maintain a streetcar line. As permitted by the Act, the proposed district included non-contiguous parcels of non-residential property. Because there were fewer than 12 registered voters residing within the territory of the proposed CFD, the City Council submitted the special tax proposed to be levied within the proposed CFD to the owners of land within the proposed CFD, as required by Section 53326(c) of the Act. The proposed special tax received the requisite two-thirds vote in the landowner election.

Petitioners Horizon Capital Investments, LLC et al. filed a writ of mandate and complaint for reverse validation and declaratory relief. Petitioners argued, and the superior court agreed in its final ruling, that under section 4(a) of article XIII A of the California Constitution (which provides that "Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district [sic], may impose special taxes on such district…") the phrase "qualified electors" means the registered voters of the entire City and not just the owners of the property within the boundaries of the proposed CFD. Citing the San Diego Decision, the ruling states that the phrase "qualified electors of the district" refers to the registered voters of the entity imposing the special tax, which in this case was the City. Because the vote within the proposed CFD was by landowners only and not by all registered voters in the City, the final ruling states that the special tax is invalid.

The superior court's final ruling is not binding upon other courts within the State and does not directly apply to the District, the Special Tax, or the Bonds. Although the City disagrees with the final ruling on a number of grounds, the City decided not to appeal.

The Special Tax Election in Improvement Area No. 2. With respect to the San Diego Decision, the facts of such case show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in Improvement Area No. 2 had less than 12 registered voters at the time of the election to authorize the Special Tax. In the San Diego Decision, the court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the court's holding in the San Diego Decision does not apply to the Special Tax election in Improvement Area No. 2. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax…shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. The petitioners in *Horizon* filed the writ of mandate within 30 days of the landowner election. Landowners in Improvement Area No. 2 approved the Special Tax to be levied in accordance with the Amended Rate and Method on February 1, 2022. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings, and court decisions, the City believes that no successful challenge to the Special Tax being levied in accordance with the Amended Rate and Method may now be brought. In connection with the issuance of the Bonds, Bond Counsel expects to deliver its opinion in the proposed form attached hereto as Appendix D.

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations or on the ability of the Developer, the Joint Venture Entity and Signature Homes (assuming Signature Homes acquires the property under contract) within Improvement Area No. 2 to complete the remaining proposed development within Improvement Area No. 2.

Limitations on Remedies

Remedies available to the owners of the 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 Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The Bonds are not subject to acceleration. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners.

Potential Early Redemption of Bonds from Prepayments or Bond Proceeds

Property owners within Improvement Area No. 2, including the Developer, the Joint Venture Entity and Signature Homes (assuming Signature Homes acquires the property under contract) and any future individual property owner, are permitted to prepay their Special Tax obligation at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping community facilities district. Such prepayments will result in a redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the prepayment. The resulting redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption "THE BONDS—Redemption— *Extraordinary Redemption from Special Tax Prepayments*."

Cybersecurity

The City relies on computers and technology to conduct its operations. The City and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, and other attacks on computers and other sensitive digital networks and systems. In late-2019, the City experienced a cyber event relating to a fraudulently misdirected payment of a substantial amount. The City has recovered almost all of the payment, and has instituted procedures intended to prevent a reoccurrence.

No assurances can be given that the City's security and operational control measures will guard against all cyber threats and attacks. The results of any attack on the City's computer and information-technology systems could adversely affect the City's operations and damage its digital networks and systems, and potential losses from such attacks, as well as the costs of defending against future attacks, could be substantial. The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of Special Tax and the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

CONTINUING DISCLOSURE

City Continuing Disclosure

The City will execute a continuing disclosure certificate (the "Continuing Disclosure Certificate") for the benefit of the Holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to Improvement Area No. 2 and the District and to provide notices of the occurrence of certain enumerated events (the "Listed Events"). The City, as the initial dissemination agent under the Continuing Disclosure Certificate, will file the City Reports and notices of Listed Events with EMMA. The specific nature of the information to be included in the City Reports and the notices of Listed Events is set forth in APPENDIX G — "FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY." The City will sign and deliver to the Underwriter the Continuing Disclosure Certificate to assist the Underwriter in complying with the Rule. The City will file the City Reports with EMMA no later than nine months after the end of the City's fiscal year, which is currently June 30. The first Annual Report will be due March 31, 2023.

The City has previously entered into a number of continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations and has provided annual financial information and event notices in accordance with those undertakings. Certain continuing disclosure filings during the past five years were made after the required filing date, such as the City's annual reports for one of the past five fiscal years with respect to a certain prior issue, and certain required information supplementing the City's annual reports for certain prior issues (including the actuarial valuation reports for the Sacramento City Employees' Retirement System and the City's Public Employees' Retirement System plans for two prior issues). The City did not file notices of late filings in the past five years. On two occasions, the City filed annual reports with tables determined later not to be entirely accurate. The City subsequently filed corrected tables.

The City believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

The City is required to file certain financial statements with the City Reports. This requirement has been included in the Continuing Disclosure Certificate solely to satisfy the requirements of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City other than as described in this Official Statement. See "SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS." The list of significant events the City has agreed to report includes items that have absolutely no application whatsoever to the Bonds. These items have been included in the list solely to satisfy the requirements of the Rule. Thus, any implication from the inclusion of these items in the list to the contrary notwithstanding, there are no credit enhancements applicable to the Bonds and there are no credit or liquidity providers with respect to the Bonds.

Developer Continuing Disclosure

To provide updated information with respect to the development within Improvement Area No. 2, the Developer and Signature Homes will each execute a Continuing Disclosure Certificate (the "Developer Continuing Disclosure Certificates"), and will covenant to provide Developer Reports semiannually not later than June 15 and December 15 of each year beginning December 15, 2022, until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Certificate. Each of the Developer Reports will contain updates regarding the respective entity's development within Improvement Area No. 2 as outlined in Section 4 of each of the Developer Continuing Disclosure Certificates attached as Appendix H. In addition to the Developer Reports, the Developer and Signature Homes will agree to provide notices of certain events set forth in their respective Developer Continuing Disclosure Certificate.

Signature Homes has entered into one continuing disclosure undertaking in connection with the issuance of municipal bonds. In the last five years, Signature Homes filed one report after the filing date required by such undertaking. Signature Homes believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

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

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

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

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

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel opinion is attached hereto as Appendix D. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by the Office of the City Attorney.

Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the City.

ABSENCE OF LITIGATION

In connection with the issuance of the Bonds, the Office of the City Attorney will deliver an opinion to the effect that, to its actual knowledge as of the date of delivery of the Bonds, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry or investigation before or by any court, public board or body (a) that contests in any way the completeness or accuracy of this Official Statement; (b) that seeks to contest the validity of the Special Tax or to restrain or enjoin the collection of the Special Tax; (c) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the City's ability to complete the transactions contemplated by the Bonds, the Indenture or this Official Statement; or (d) in which an unfavorable decision, ruling or finding is likely to have a material adverse effect on the validity or enforceability of the Bonds or the Indenture.

MUNICIPAL ADVISOR

The City has retained Fieldman, Rolapp & Associates, Inc. (the "Municipal Advisor"), as municipal advisor in connection with the issuance and sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement or any of the other legal documents, and further the Municipal Advisor does not assume any responsibility for the information, covenants and representations with respect to the federal income tax status of the Bonds, or the possible impact of any current, pending or future actions taken by any legislative or judicial bodies or rating agencies.

NO RATING

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

UNDERWRITING

The Bonds are being purchased by Piper Sandler & Co. The Underwriter has agreed to purchase the Bonds at a price of $9,921,282.88, being $10,230,000.00 aggregate principal amount thereof, less an original issue discount of $181,077.75 and less Underwriter's discount of $127,639.37. The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

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

FINANCIAL INTERESTS

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Trustee and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds. The fees being paid to the Appraiser and to the Special Tax Consultant are not contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the Bonds.

PENDING LEGISLATION

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

ADDITIONAL INFORMATION

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as presentations of fact, and actual results may differ substantially from those set forth therein. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the Holders of the Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

The appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.

The distribution of this Official Statement has been authorized by the City.

CITY OF SACRAMENTO

By: /s/ John P. Colville Jr.
City Treasurer

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APPENDIX A

AMENDED AND RESTATED
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The following sets forth the Amended and Restated Rate and Method of Apportionment for the levy and collection of Special Taxes of Improvement Area No. 2 of City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento. An Annual Special Tax shall be levied on and collected in Improvement Area No. 2 each Fiscal Year, in an amount determined through the application of the Amended and Restated Rate and Method of Apportionment described below. All of the real property in Improvement Area No. 2, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A Special Tax as hereinafter defined shall be levied on each Assessor's Parcel of Taxable Property within Improvement Area No. 2 of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California and collected each Fiscal Year commencing no earlier than Fiscal Year 2021-2022 in an amount determined through the application of the proceduresdescribed below. All of the real property within Improvement Area No. 2, unless exempted by law or theprovisions hereof, 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 meaning:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on County records, such as on an Assessor's Parcel Map and/or in the Assessor's Data, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final subdivision map, parcel map, condominium plan, record of survey, or other recorded document creating or describing the parcel or calculated using available spatial data and GIS, all as determined by the CFD Administrator. The square footage of an Assessor's Parcel is equal to the Acreage of such parcel multiplied by 43,560.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Accessory Dwelling Unit" means a secondary residential unit of limited size, as defined in CaliforniaGovernment Code Section 65852.2 and/or meeting the criteria outlined in Sacramento City Code Section 17.228.105, as may be amended from time-to-time.

"Administrative Expenses" means the actual or reasonably estimated costs directly related to the administration of Improvement Area No. 2 including, but not limited to, the following: the costs of computing the Special Tax and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Tax (whether by the County, the City, or otherwise); the costs of remitting the Special Tax to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the coststo the City, Improvement Area No. 2, or any designee thereof of complying with arbitrage rebate requirements or responding to questions from the IRS pertaining to any Bonds or any audit of any Bonds by the IRS; the costs to the City, Improvement Area No. 2, or any designee thereof of providing continuing disclosure regarding the Bonds pursuant to applicable state or federal securities law; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Tax; the costs of the City, Improvement Area No. 2, or any designee thereof related to any appeal of the levy or application of the Special Tax; and the costs associated with the release of funds from an escrow account, if any. Administrative Expenses shall also include amounts estimated or advanced by the City, or Improvement Area No. 2 for any other administrative purposes, including, but not limited to, attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of any delinquent installment of the Special Tax.

"Airspace Parcel" means a property with an assigned Assessor's Parcel number that constitutes vertical space on an underlying land Parcel.

"Assessor's Data" means the property characteristic data compiled and maintained by the County Assessor for each Assessor's Parcel, including, but not limited to, Assessor's Parcel Number, Use Code, and Units.

"Assessor's Parcel" or "Parcel" means a lot or parcel shown in 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 an Assessor's Parcel number.

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C.1.a., or the Special Tax for each Land Use Class of Final Subdivision Property, as determined in accordance with Section C.1.b.

"Authorized Facilities" means the public facilities authorized to be financed, in whole or in part, by Bonds or Special Tax revenue dedicated to Pay-As-You-Go Expenditures for Improvement Area No. 2.

"Backup Special Tax" means the Backup Special Tax amount set forth in Section C.1.c.

"Bonds" means any bonds or other debt (as defined in the Act), whether in one or more series, issuedor incurred for Improvement Area No. 2 under the Act to fund the Authorized Facilities.

"Bond Year" means a one-year period beginning on September 2nd in each year and ending on September 1st in the following year, unless defined differently in the applicable Indenture.

"Boundary Map" means that map recorded with the County Recorder's office on August 23, 2019, in Book 129 at Page 9 as Document Number 201908230413.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determiningthe Special Tax Requirement and providing for the levy and collection of the Special Tax.

"CFD" means Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California.

"City" means the City of Sacramento.

"Council" means the City Council of the City, acting as legislative body with respect to the CFD ascontemplated by the Act.

"County" means the County of Sacramento.

"County Assessor" means the County of Sacramento, Office of the Assessor.

"Developed Property" means all Assessor's Parcels of Taxable Property for which a building permit has been issued prior to June 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Exempt Property" means all Assessor's Parcels that are exempt from the Special Tax pursuant to Section E.

"Expected Revenue" means the expected Special Tax revenue from Developed Property within Improvement Area No. 2, as shown on the attached Exhibit 1.

"Expected Units" means the expected number of Units on Developed Property within Improvement Area No. 2, as shown on the attached Exhibit 1.

"Final Subdivision" means a subdivision of property created by recordation of a final subdivision map, parcel map or lot line adjustment, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.)* or recordation of a condominium plan pursuant to California Civil Code Section 1352, that creates individual lots for which residential building permits may be issued without further subdivision of such property.

"Final Subdivision Property" means, in any Fiscal Year, all property for which a Final Subdivision was recorded prior to June 1st of the preceding Fiscal Year and which has not yet become Developed Property.

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

"GIS", or geographic information system, means a system designed to capture, store, manipulate, analyze, manage, and present spatial or geographic data.

"High-Density Residential Property" means, in any Fiscal Year, all Assessor's Parcels of Developed Property with a density of 15 or greater Units per Acre. The assignment of the High-Density Residential Property Land Use Class to an Assessor's Parcel shall be based upon reference to Exhibit 2 to this RMA showing the Villages within Improvement Area No. 2 designated as "HDR" or similar.

"Improvement Area" means any of the three improvement areas shown on the Boundary Map of the CFD.

"Improvement Area No. 2" means Improvement Area No. 2 of the Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California.

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

"Land Use Class" means any of the classes listed in Table 1 and Table 2.

"Low-Density Residential Property" means, in any Fiscal Year, all Assessor's Parcels of Developed Property with a density of 7 or fewer Units per Acre. The assignment of the Low-Density Residential Property Land Use Class to an Assessor's Parcel shall be based upon reference to Exhibit 2 to this RMA showing the Villages within Improvement Area No. 2 designated as "LDR" or similar.

"Maximum Special Tax" means the maximum annual Special Tax, determined in accordance with the provisions of Section C, which may be levied in any Fiscal Year on any Assessor's Parcel of Taxable Property.

"Medium-Density Residential Property" means, in any Fiscal Year, all Assessor's Parcels of Developed Property with a density of 8-14 Units per Acre. The assignment of the Medium-Density

Residential Property Land Use Class to an Assessor's Parcel shall be based upon reference to Exhibit 2 to this RMAshowing the Villages within Improvement Area No. 2 designated as "MDR" or similar.

"Minimum Taxable Acreage" means 83.95 Acres for Improvement Area No. 2.

"Mixed-Use Residential Property" means, in any Fiscal Year, all Assessor's Parcels of Developed Property containing structures that have a mixture of residential and non-residential uses. The non-residential portions of the Parcel are not subject to the Special Tax. The assignment of the Mixed-Use Residential Property to an Assessor's Parcel shall be based upon reference to Exhibit 2 to this RMA showing the Villages within Improvement Area No. 2 designated as "MU" or similar.

"Non-Residential Property" means, in any Fiscal Year, all Assessor's Parcels of Developed Property not classified as Low-Density Residential Property, Medium-Density Residential Property, High-Density Residential Property, or Mixed-Use Residential Property.

"Open Space Property" means property within the boundaries of Improvement Area No. 2 which (a) has been designated with specific boundaries and Acreage on a Final Subdivision map as open space, a park, detention basin, or wetland restoration, (b) is classified by the County Assessor as open space, a park, detention basin, or wetland restoration, (c) has been irrevocably offered for dedication as open space, a park, detention basin, or wetland restoration to the federal government, the State of California, the County, the City, or any other public agency or nonprofit holding a conservation easement, or (d) is encumbered by an easement or other restriction required by the City limiting the use of such property to open space, a park, detention basin, or wetland restoration.

"Outstanding Bonds" mean all Bonds, which remain outstanding as defined in the Indenture pursuant to which such Bonds were issued.

"Pay-As-You-Go Expenditure" means Special Tax revenue which is used or set aside for Authorized Facilities, including for Authorized Facilities to be constructed or acquired by the CFD. Pay-As-You-Go Expenditures may be included in the Special Tax Requirement until all Authorized Facilities have beenconstructed or acquired.

"Property Owner Association Property" means any property within the boundaries of Improvement Area No. 2 which is (a) owned by a property owner association or (b) designated with specific boundaries and Acreage on a Final Subdivision map as property owner association property. As used in this definition, a property owner association includes any master or sub-association.

"Proportionately" means for Developed Property that the ratio of the Special Tax levy to the Assigned Special Tax or the Backup Special Tax is equal for all Assessor's Parcels of Developed Property within Improvement Area No. 2. For Final Subdivision Property, Taxable Contingent Property, Tentative MapProperty, or Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Annual Special Tax per Acre is equal for all Assessor's Parcels of Final Subdivision Property, Taxable Contingent Property, Tentative Map Property, or Undeveloped Property within Improvement Area No. 2.

"Public Property" means any property within the boundaries of Improvement Area No. 2 which (a) is owned by a public agency, (b) has been irrevocably offered for dedication to a public agency, or (c) is designated with specific boundaries and Acreage on a Final Subdivision map as property which will be owned by a public agency. For purposes of this definition, a public agency includes the federal government, the State, the County, the City or any other public agency, including school districts and public utilities.

"RMA" means this Amended and Restated Rate and Method of Apportionment of Special Tax, which may be amended from time-to-time.

"Special Tax" means the annual special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount of Special Tax revenue required in any Fiscal Year for Improvement Area No. 2 to: (i) pay Administrative Expenses; (ii) pay annual debt service on all Outstanding Bonds due in the Bond Year beginning in such Fiscal Year; (iii) pay other periodic costs on Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on Outstanding Bonds; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds in accordance with the Indenture, to the extent not included in a computation ofthe Special Tax Requirement for a previous Fiscal Year; (v) to the extent permitted by the Act, pay for reasonably anticipated delinquent installments of the Special Tax based on the delinquency rate for the Special Tax levied in the previous Fiscal Year; and (vi) account for Pay-As-You-Go Expenditures for the Authorized Facilities; less (vii) a credit for funds available to reduce the annual Special Tax levy asdetermined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Taxable Contingent Property" means any Assessor's Parcel of Non-Residential Property, Open Space Property, Property Owner Association Property, Public Property, or other property that would otherwise be classified as Exempt Property pursuant to the provisions of Section E, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property located within Improvement Area No. 2 below the Minimum Taxable Acreage for Improvement Area No. 2.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of Improvement Area No. 2 that are not exempt from the Special Tax pursuant to law or Section E below.

"Tentative Map" means a map that is made for the purpose of showing the design of a proposed subdivision, including the individual lots that are expected within the subdivision, as well as the conditions pertaining thereto. A Tentative Map is not based on a detailed survey of the property within the map and is not recorded with the County recorder's office to create legal lots.

"Tentative Map Property" means, in any Fiscal Year, all Parcels which are included within a Tentative Map that was approved prior to June 1 of the prior Fiscal Year.

"Trustee" means the financial institution appointed pursuant to an Indenture to act as the trustee, fiscal agent, or paying agent or a combination thereof to administer a series of Bonds for and on behalfof Improvement Area No. 2 and the City under such Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Final Subdivision Property, Taxable Contingent Property, or Tentative Map Property.

"Unit" means an individual residential living space. The number of Units assigned to each Assessor's Parcel may be determined by (i) referencing Assessor's Data, (ii) site surveys and physical unit counts, and/or (iii) reviewing City building permit data. An Accessory Dwelling Unit shall not be considered a Unit for the purposes of the Special Tax.

"Use Code" means the six-digit use code assigned by the County Assessor to each Assessor's Parcel.

"Village" means an area, as shown on Exhibit 2 to the RMA, proposed for residential development for Low-Density Residential Property, Medium-Density Residential Property, High-Density Residential Property, or Mixed-Use Residential Property.

"**Welfare Exempt Property**" means any Parcel within the boundaries of Improvement Area No. 2 that is exempt from the Special Tax pursuant to Section 53340 (c) of the Act because the Parcel has received a welfare exemption under subdivision (g) of Section 214 of the Revenue and Taxation Code. During any time that Bonds are outstanding, property that was not classified as Welfare Exempt Property prior to the issuance of Bonds and was subject to the Special Tax prior to receiving the welfare exemption may no longer be categorized as Welfare Exempt Property regardless of whether the Assessor's Parcel has been granted a welfare exemption under subdivision (g) of Section 214 of the Revenue and Taxation Code by the County.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Assessor's Parcels of Taxable Property within Improvement Area No. 2 shall be (a) classified as Developed Property, Final Subdivision Property, Taxable Contingent Property, Tentative Map Property, or Undeveloped Property and (b) shall be subject to the levy of the annual Special Taxdetermined pursuant to Section C below.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property and Final Subdivision Property

The Maximum Special Tax for each Assessor's Parcel of Developed Property and Final SubdivisionProperty shall be the greater of (1) the Assigned Special Tax described in Section C.1.a and C.1.b or (2) the Backup Special Tax computed pursuant to Section C.1.c.

a. **<u>Assigned Special Tax for Developed Property</u>**

The Assigned Special Tax for each Assessor's Parcel of Developed Property is shown in Table1.

<u>TABLE 1</u>

Assigned Special Tax for Developed Property
(Fiscal Year 2021-2022)

Land Use Class	Description	Assigned Special Tax
1	Low-Density Residential Property	$1,966 per Unit
2	Medium-Density Residential Property	$1,530 per Unit
3	High-Density Residential Property	$250 per Unit
4	Mixed-Use Residential Property	$250 per Unit
5	Non-Residential Property	$0

b. **<u>Assigned Special Tax for Final Subdivision Property</u>**

The Assigned Special Tax for each Assessor's Parcel of Final Subdivision Property is shown inTable 2.

<u>TABLE 2</u>

Assigned Special Tax for Final Subdivision Property
(Fiscal Year 2021-2022)

Land Use Class	Description	Assigned Special Tax
1	Low-Density Residential Property	$1,966 per Parcel
2	Medium-Density Residential Property	$1,530 per Parcel
3	High-Density Residential Property	$250 per Unit [1]
4	Mixed-Use Residential Property	$250 per Unit [1]
5	Non-Residential Property	$0

1 *Per Unit expected on each Parcel of Final Subdivision Property.*

c. Backup Special Tax (Fiscal Year 2021-2022)

The Backup Special Tax per Village for each Assessor's Parcel of Developed Property and FinalSubdivision Property, is calculated as follows:

Backup Special Tax = Expected Revenue / Units on Developed Property and/or Units expectedon Final Subdivision Property

For each Village, by reference to Exhibit 1, should the number of Units be less than the Expected Units when all Assessor's Parcels are classified as Developed Property, the Backup Special Tax per Unit shall be adjusted so that the Backup Special Tax per Unit is sufficient to generate the Expected Revenue in any Fiscal Year. The CFD Administrator shall update Exhibit 1 with the revised Units and Expected Revenue to be derived from each Village.

Notwithstanding the foregoing, once an Assessor's Parcel is used for private residential purposes (as determined by the Act), the Backup Special Tax for the Assessor's Parcel cannot be increased because of future reductions in the number of Units on other Assessor's Parcels. The increases to the Backup Special Tax pursuant to Section C.1.e below would still apply to such Assessor's Parcel.

d. Changes to Land Use Class

Prior to a bond sale, if a Land Use Class change is proposed or identified that will result in a change in the Expected Revenues, no action will be needed pursuant to this Section. Each Fiscal Year, the CFD Administrator shall update Exhibit 1 to show the revised Units and Expected Revenues if a Land Use Class change has been approved.

After a Bond sale, if a Land Use Class change is proposed or identified, the following must be applied:

If the revenues calculated are higher than those reflected in Exhibit 1 or less than those calculated in Exhibit 1, but the reduction in Expected Revenues does not reduce debt service coverage below the required 110% debt service coverage, no further action is needed, and the CFD Administrator shall update Exhibit 1 to show the revised Expected Revenues.

If the revenues calculated are less than those reflected in Exhibit 1, and the CFD Administrator determines that the reduction in Expected Revenues would reduce debt service coverage below the required 110% debt service coverage the Special Tax levied on the Parcel subject to a Land Use Class change will need to be paid and one of the following shall occur: (i) The landowner requesting the Land Use Class change may make a prepayment in an amount that will ensure that the reduced Expected Revenues are sufficient to meet the required 110% debt service coverage or (ii) If a prepayment is not selected, the Assigned Special Tax on the Parcel or Parcels subject to the Land Use Class change shall be increased proportionately until the Expected Revenues are sufficient to maintain the required 110% debt service coverage. Notwithstanding the foregoing, once an Assessor's Parcel is used for private residential purposes (as determined pursuant to the Act), the Maximum Special Tax for the Assessor's Parcel cannot be increased because of future Land Use Class changes for other Assessor's Parcels.

e. **Increase in the Assigned Special Tax and Backup Special Tax**

On each July 1, commencing on July 1, 2022, the Assigned Special Tax and the Backup Special Tax for Developed Property and Final Subdivision Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

2. **Taxable Contingent Property, Tentative Map Property, and Undeveloped Property**

a. **Maximum Special Tax**

The Maximum Special Tax for each Assessor's Parcel of Taxable Contingent Property, Tentative Map Property, and Undeveloped Property shall be $10,180 per Acre in Fiscal Year 2021-2022.

b. **Increase in the Maximum Special Tax**

On each July 1, commencing on July 1, 2022, the Maximum Special Tax for Taxable Contingent Property, Tentative Map Property, and Undeveloped Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

D. **METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

Commencing no earlier than Fiscal Year 2021-2022 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax Requirement, and shall levy the Special Tax until the amount of the Special Tax equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at a rate up to 100% of the greater of the applicable Assigned Special Tax or the applicable Backup Special Tax to satisfy the Special Tax Requirement.

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on all Final Subdivision Property at a rate up to 100% of the greater of the applicable Assigned Special Tax or the applicable Backup Special Tax for Final Subdivision Property.

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on all Tentative Map Property at a rate up to 100% of the Maximum Special Tax for Tentative Map Property.

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax shall be levied Proportionately on all Undeveloped Property at a rate up to 100% of the Maximum Special Tax for Undeveloped Property

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on all Taxable Contingent Property at a rate up to 100% of the Maximum Special Tax for Taxable Contingent Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Developed Property used for private residential purposes (as determined pursuant to the Act) in any Fiscal Year be increased as a consequence of the delinquency or default in the payment of the

Special Tax by the owner or owners of any other Taxable Property by more than ten percent above the amount that would have been levied against such Assessor's Parcel in such Fiscal Year had there been no delinquencies or defaults.

E. EXEMPTIONS

1. No Special Tax shall be levied on up to 55.12 Acres of Non-Residential Property, Open Space Property, Property Owner Association Property, and Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Non- Residential Property, Open Space Property, Property Owner Association Property, or Public Property.

2. For the following property types in excess of the 55.12 Acres exempted above, Non-Residential Property, Open Space Property, Property Owner Association Property, or Public Property that is not exempt from the Special Tax under this section, or pursuant to the Act, shall be classified as Taxable Contingent Property. Taxable Contingent Property shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fifth step in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Contingent Property.

3. No Special Tax shall be levied on Welfare Exempt Property. If a Parcel is no longer eligible to be classified as Welfare Exempt Property that would make such Assessor's Parcel eligible to continue to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property. Any property that is granted a welfare exemption when any Bonds are outstanding and was subject to the Special Tax prior to receiving the welfare exemption shall not be considered Welfare Exempt Property.

4. The Special Tax for any Developed Property, which would change classification to Public Property upon its transfer or dedication to a public agency, shall continue to be subject to the levy of the Special Tax as Developed Property.

5. If the use of an Assessor's Parcel changes so that such Assessor's Parcel is no longer eligible to be classified as one of the uses set forth in Section E.1. above that would make such Assessor's Parcel eligible to continue to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

6. If an Assessor's Parcel designated as Low-Density Residential Property, Medium-Density Residential Property, High-Density Residential Property, or Mixed-Use Residential Property changes to Non-Residential Property, the Special Tax shall continue to be levied on such Non- Residential Property as if the Assessor's Parcel was still classified as Low-Density Residential Property, Medium-Density Residential Property, High-Density Residential Property, or Mixed-Use Residential Property.

F. SPECIAL TAX APPEALS

Any property owner may file a written appeal of the Special Tax with the CFD Administrator claiming that the amount or application of the Special Tax is not correct. The appeal must be filed not later than one calendar year after having paid the Special Tax that is disputed, and the appellant must be current in all payments of the Special Tax. In addition, during the term of the appeal process, any Special Tax levied must be paid on or before the payment date established when the levy was made.

The appeal must specify the reasons why the appellant claims the amount of the Special Tax is not correct. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination.

If the property owner disagrees with the CFD Administrator's decision relative to the appeal, the owner may then file a written appeal with the Council whose subsequent decision shall be final and binding on all interested parties. If the decision of the CFD Administrator or subsequent decision by the Council requires the Special Tax to be modified or changed in favor of the property owner, no cash refund shall be made for the prior years' Special Tax, but an adjustment shall be made to credit future Special Tax levies.

G. INTERPRETATIONS

The City may, by resolution or ordinance, interpret, clarify and/or revise this RMA to correct any inconsistency, vagueness, or ambiguity as it relates to the Special Tax, method of apportionment, classification of Parcels, or any definition used herein, as long as such correction does not materially affect the levy and collection of the Special Tax. In addition, the interpretation and application of any section of this document shall be at the City's discretion.

H. MANNER OF COLLECTION

The annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that the CFD Administrator may, at the sole discretion of the City, directly bill the Special Tax, may collect the Special Tax at a different time or in a different manner as necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Assessor's Parcels of Taxable Property that are delinquent in the payment of the Special Tax.

I. PREPAYMENT OF SPECIAL TAX OBLIGATION

The following definitions apply to this Section I:

"CFD Public Facilities" means those public facilities authorized to be financed by Improvement Area No. 2.

"CFD Public Facilities Costs" means either $11,249,860 in costs for completed facilities/land dedications in 2021 dollars; plus $2,364,838 in costs for pending facilities/land dedications in 2021 dollars, which shall increase by the Construction Cost Index on July 1, 2022, and on each July 1 thereafter, or such lower number as shall be determined either by (a) the CFD Administrator as sufficient to finance the CFD Public Facilities, or (b) the Council concurrently with a covenant that it will not issue any more Bonds to be secured by Special Taxes levied under this RMA.

"Construction Cost Index" means the annual percentage change in the Engineering News-Record Construction Cost Index for the City of San Francisco, measured as of June in the previous Fiscal Year.In the event this index ceases to be published, the Construction Cost Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-RecordBuilding Cost Index for the City of San Francisco.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct the CFD Public Facilities.

"Future Facilities Costs" means the CFD Public Facilities Costs minus the portion of the CFD Public Facilities Costs previously funded from (a) proceeds of all previously issued Bonds, (b) interest earnings on the Construction Fund actually earned prior to the date of prepayment and (c) proceeds of the Special Tax dedicated to Pay-As-You-Go Expenditures. In no case, shall the Future Facilities Costs be less than zero.

"Outstanding Bonds" means all previously issued Bonds which will remain outstanding after the first principal payment date following the then current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Tax obligations.

1. Prepayment in Full

The Special Tax obligation of an Assessor's Parcel of Developed Property, Final Subdivision Property, Taxable Contingent Property, Tentative Map Property, or Undeveloped Property may be prepaid and permanently satisfied as described herein; provided that there are no delinquent installments of the Special Tax 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 CFD Administrator with written notice of intent to prepay. Within 45 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. Prepayment must be made not less than 75 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture. The CFD Administrator may charge a fee for providing this service.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

		Bond Redemption Amount
	plus	Future Facilities Amount
	plus	Redemption Premium
	plus	Defeasance Amount
	plus	Administrative Fees and Expenses
	less	Reserve Fund Credit
	less	Capitalized Interest Credit
Total:	equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Step Number:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

2. For Assessor's Parcels of Developed Property other than Non-Residential Property, compute the Assigned Special Tax and Backup Special Tax. For Assessor's Parcels of Final Subdivision Property, Tentative Map Property, and Undeveloped Property to be prepaid, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the number of Expected Units to be developed on that Assessor's Parcel.

3. a. Divide the Assigned Special Tax computed pursuant to Step 2 by the total estimated Assigned Special Tax for Improvement Area No. 2 based on the Developed Property Special Tax which could be charged in the current Fiscal Year on all Expected Units through buildout of Improvement Area No. 2, excluding any Assessor's Parcels which have prepaid the Special Tax obligation in full pursuant to Section I.1.

b. Divide the Backup Special Tax computed pursuant to Step 2 by the total estimated Backup Special Tax for Improvement Area No. 2 based on the Developed Property Special Tax which could be charged in the current Fiscal Year on all Expected Units through buildout of Improvement Area No. 2, excluding any Assessor's Parcels which have prepaid the Special Taxobligation in full pursuant to Section I.1.

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

5. Compute the current Future Facilities Costs.

6. Multiply the larger quotient computed pursuant to Step 3.a or 3.b by the total Future Facilities Costs to compute the amount of the Future Facilities Amount to be retired and prepaid (the "*Future Facilities Amount*").

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

8. Compute the amount needed to pay interest on the Bond Redemption Amount on the earliest redemption date for the Outstanding Bonds.

9. Compute the amount the Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.

10. Subtract the amount computed pursuant to Step 9 from the amount computed pursuant to Step 8 (the "*Defeasance Amount*").

11. Verify the administrative fees and expenses, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming the Outstanding Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "*Administrative Fees and Expenses*").

12. A reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.

13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to Steps 3.a or 3.b by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "*Capitalized Interest Credit*").

14. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 4, 6, 7, 10 and 11, less the amount computed pursuant to Steps 12 and 13 (the "*Prepayment Amount*").

15. From the Prepayment Amount, the amounts computed pursuant to Steps 4, 7, 10, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds and make debt service payments. The amount computed pursuant to Step 6 shall be deposited into the Construction Fund. The amount computed pursuant to Step 11 shall be retained by the City for the payment of Administrative Fees and Expenses.

The Prepayment Amount may be sufficient to redeem other than a $5,000 increment of Bonds. In such cases, the increment amount that is not $5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

Any current-year Special Tax that has been placed on the County tax roll will remain on the tax roll.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of the Maximum Special Taxes that may be levied on Taxable Property both prior to and after the proposed prepayment is at least 1.1 times the annual debt service on all Outstanding Bonds in each succeeding Bond Year.

2. Prepayment in Part

The Special Tax obligation of an Assessor's Parcel of Developed Property, Final Subdivision Property, Tentative Map Property, or Undeveloped Property for which a building permit has been issued may be partially prepaid in increments of 25%, 50%, or 75% of the Prepayment Amount calculated according to Section I.1, minus Administrative Fees and Expenses calculated according to Section I.1.

A partial prepayment can only occur once per Assessor’s Parcel. The amount of the prepayment shall be calculated as in Section I.1; except that a partial prepayment shall be calculated according to the following formula:

$$\mathbf{PP = ((P_E - A) \times F) + A}$$

These terms have the following meaning:

PP = the Partial Prepayment Amount

$\mathbf{P_E}$ = the Prepayment Amount calculated according to Section I.1

A = the Administrative Fees and Expenses calculated according to Section I.1

F = the percent by which the owner of the Assessor’s Parcel(s) is partially prepaying the Special Tax obligation.

The owner of an Assessor’s Parcel who desires to partially prepay the Special Tax obligation shall notify the CFD Administrator of (i) such owner’s intent to partially prepay the Special Tax obligation, (ii) the amount of partial prepayment expressed in increments of 25%, 50%, or 75% of the Prepayment Amount calculated according to Section I.1, minus Administrative Fees and Expenses calculated according to Section I.1, and (iii) the company or agency that will be acting as the escrow agent, if applicable. Partial prepayment must be made not less than 75 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such partial prepayment may be given to the Trustee pursuant to the Indenture. The CFD Administrator may charge a fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the CFD Administrator shall (i) distribute the funds remitted to it according to Step 15 of Section I.1, and (ii) indicate in the records of Improvement Area No. 2 that there has been a partial prepayment of the Special Tax obligation and that a portion of the Special Tax obligation equal to the outstanding percentage (1.00 - F) of the remaining Special Tax obligation shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property both prior to and after the proposed partial prepayment is at least 1.1 times the annual debt service on all Outstanding Bonds in each succeeding Bond year.

J. TERM OF SPECIAL TAX

The Special Tax shall be levied commencing in Fiscal Year 2021-2022 to the extent necessary to fully satisfy the Special Tax Requirement and shall not be levied after the 2065-2066 Fiscal Year.

EXHIBIT 1

EXPECTED UNITS/REVENUE PER VILLAGE FOR DEVELOPED PROPERTY (FISCAL YEAR 2021-22)

Land Use Class	Village [1]	Expected Units [2]	Expected Revenue [3]
2	MDR-5	87	$133,110
2	MDR-6	102	156,060
2	MDR-7	96	146,880
2	MDR-8	136	208,080
3	HDR-6	163	40,750
3	HDR-7	132	33,000
3	HDR-8	112	28,000
3	HDR-9	152	38,000
3	HDR-10 S	163	40,750
4	MU-1	120	30,000

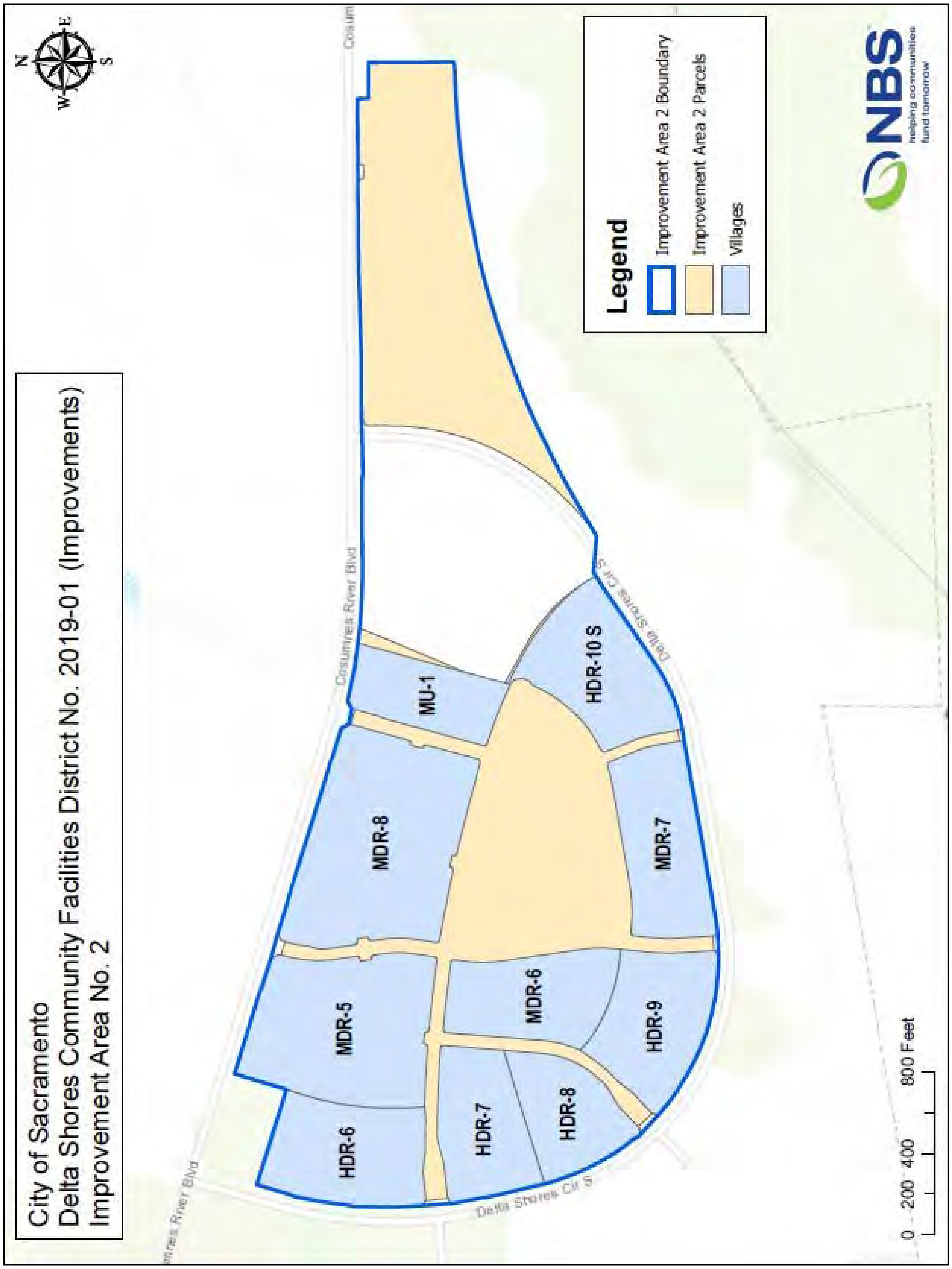
1 *As shown on Exhibit 2 to this RMA.*

2 *There is a total of 1,263 Expected Units within Improvement Area No. 2.*

3 *The total Expected Revenue within Improvement Area No. 2 is $854,630, stated in Fiscal Year 2021-2022 dollars. On each July 1, commencing on July 1, 2022, the Expected Revenue shall be increased by an amount equal to two percent (2%) of theamount in effect for the previous Fiscal Year.*

EXHIBIT 2

MAP OF VILLAGES WITHIN IMPROVEMENT AREA NO. 2



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APPENDIX B

APPRAISAL REPORT

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BBG

Third-party reports by a true third party

Appraisal Report

Improvement Area No. 2 of the Delta Shores Community Facilities District No. 2019-01

Cosumnes River Boulevard and Delta Shores Circle South
Sacramento, California 95832
BBG File #0121024185

Prepared For

Bill Sinclair
City of Sacramento
915 I Street, 2nd Floor
Sacramento, CA 95832

Report Date

May 19, 2022

Date of Valuation

April 1, 2022

Prepared By

BBG, Inc., Northern California
Sacramento Office
1708 Q Street
Sacramento, CA 95811
Client Manager: Scott Beebe, MAI, FRICS
sbeebe@bbgres.com

VALUATION ADVISORY ASSESSMENT ZONING

BBG

Subdivision Practice

May 19, 2022

Bill Sinclair
Real Property Agent
City of Sacramento, Departments of Public Works
915 I Street, 2nd Floor
Sacramento, CA 95832

Re: Appraisal of Real Property
Improvement Area No. 2 of the Delta Shores Community Facilities District No. 2019-1
Cosumnes River Boulevard and Delta Shores Circle South
Sacramento, California 95832

BBG File #0121024185

Dear Mr. Sinclair,

BBG, Inc. – Northern California is pleased to submit the accompanying appraisal of Improvement Area No. 2 of the Delta Shores Community Facilities District No. 2019-1 or commonly referred to in this report as "the CFD." This report is written in conformance with the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (CDIAC).

The intended user of the appraisal is the City of Sacramento and the CFD finance team. The intended use is for bond financing. The appraisal is not intended for any other use or users.

The CFD has been established to create a land-secured funding mechanism for authorized facilities. The Improvement Area No. 2 CFD No. 2019-01 (the "Bonds") will reimburse for eligible facilities completed by M & H Realty Partners VI LP (the "Master Developer").

The subject property is a tract of land located along Cosumnes River Boulevard and Delta Shores Circle South in Sacramento, California. It is identified as Sacramento County Assessor Parcel No.'s 053-0180-030 and -032. More particularly, the subject is identified as Parcels 1 thru 10, Parcels A and B, and Remainder 1 on the Final Master Parcel Map of Delta Shores Phase 2. The subject property consist of 145.88 gross acres of which 90.76 acres is planned for development with 1,573 residential and multi-family lots/units. The remaining 55.12 acres consists of roads, two park sites and a school site.

The property is part of the larger Delta Shores development, a master planned community containing 782 acres. The project has entitlements for up to 1.3 million feet of regional retail uses, 5,222 residential units, 144 acres of open space and a mixed use town center of approximately 20 acres. To date, over 900,000 square feet of the regional retail space has been completed. The subject property represents the initial residential development within the project.

Substantial off-site improvements have been completed including all of the subject property's perimeter roads as well as much of the utility, drainage, and highway interchange infrastructure. All major entitlements for development of the property are in place. The Final Master Parcel Map of Delta Shores Phase 2 was recorded in November 2021.

The four medium density village are presently in various stages of map approval. The final map for MDR-5 (87 lots) was recorded May 2, 2022. MDR-8 (136 total lots) is being processed in two phases. MDR-8A (76 lots) has an approved final map that is expected record in mid-May 2022. MDR-8B (60 lots) has an approved (small lot) tentative map. The MDR-8B final map is expected to be recorded in late 2022. Small lot tentative maps are currently in process for MDR-6 (102 lots) and MDR-7 (96 lots) and the developer anticipates tentative map approval in mid-2022 and final maps recording in late 2022. Only moderate remaining costs associated with mapping and engineering are anticipated. There are no foreseeable issues that would cause delay for near-term development of the property.

Improvement Area No. 2 is one of three improvement areas within the Delta Shores CFD and is located east of Interstate 5 and south of Cosumnes River Boulevard. The developer has completed significant portions of the authorized CFD facilities and anticipates that the medium density residential villages (MDR-5 thru 8) will be sold to a merchant builder in phases between January and October 2022.

According to the Rate and Method of Apportionment (RMA) for Improvement Area 2, the identified public facilities authorized to be financed equate to $13,614,698 in 2021 dollars ($11,249,860 for completed facilities/land dedications plus $2,364,838 for pending facilities/land dedications). The completed facilities include various road, utilities, storm drainage and public land dedication to serve the project. A detailed summary of the completed and pending facilities is shown later in the report.

The values estimated herein are based on a hypothetical condition. USPAP defines a hypothetical condition as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis." As of the date of value, the Bonds had not been sold. The market value is based on the hypothetical condition that, as of the date of value, the Bonds had just been sold and the property was encumbered by Special Taxes as described herein. The market value accounts for the impact of the lien of the Special Tax securing the Bonds.

We have been requested to provide market value by ownership. M & H Realty Partners VI, LP is the owner of the majority of the property. MHRP / Signature Homes JV I LLC is the owner of MDR-5.

Based on our inspection of the property and the investigation and the analysis undertaken, we have developed the following value opinion(s) of value.

CONCLUSION - HYPOTHETICAL FEE SIMPLE MARKET VALUE			
Ownership	Area	Date of Value	Concluded Value
MHRP/Signature Homes JV I LLC	MDR-5	April 1, 2022	$9,300,000
M & H Realty Partners VI LP	Remainder of Property	April 1, 2022	$25,700,000
Aggregate Value			$35,000,000

Our estimate of value is subject to the following Extraordinary Assumptions and/or Hypothetical Conditions:

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions: The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. We relied on certain land development costs (identified as On-Site Internal Backbone Improvements in this report) and fees provided by the Master Developer and the Finance Plan. The budgeted costs for the On-Site Internal Backbone Improvements and fees appear reasonable relative to costs at other projects in the area. It is an extraordinary assumption that the said costs and fees are reasonably true and correct. Any substantial changes in costs and fees could have an effect on the value conclusions and the feasibility of development. We assume that competent and professional engineering has been completed and that the cost estimates were prepared by a qualified, professional service.

Hypothetical Conditions: The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. As of the date of value, the CFD Bonds had not been sold. The market value estimated herein is based on the hypothetical condition that, as of the date of inspection, the Bonds had just been sold and the property was encumbered by Special Taxes, as described herein. The value accounts for the impact of the lien of the Special Tax securing the Bonds.

BBG Northern California appreciates the opportunity to have performed this appraisal assignment on your behalf. If we may be of further service, please contact us.

Sincerely,

BBG, Inc.

Arthur A. Leck, MAI
Managing Director
California Certified General Appraiser
No. AG 011823
Ph: (916) 949-7377
Email: aleck@bbgres.com

Scott Beebe, MAI
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Email: sbeebe@bbgres.com

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SUBJECT PHOTOS & MAP

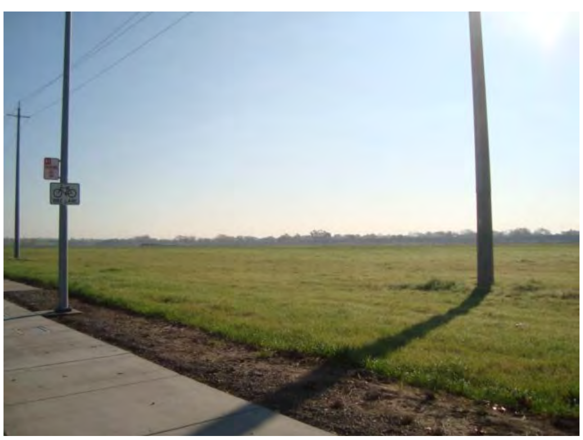
Aerial Map with Subject outlined in Green

Viewing East on Cosumnes River Bl

Viewing South (at MDR-5 & 8) from Cosumnes River Bl

Viewing West on Cosumnes River Bl

Viewing South (at MDR-8/MU-1) from Cosumnes River Bl



Viewing Southeast at Regional Park Site

Viewing Southwest at Intersection of Cosumnes River Bl and Delta Shores South Circle

Viewing West on Delta Shores South Circle

Viewing Northwest from Delta Shores South Circle

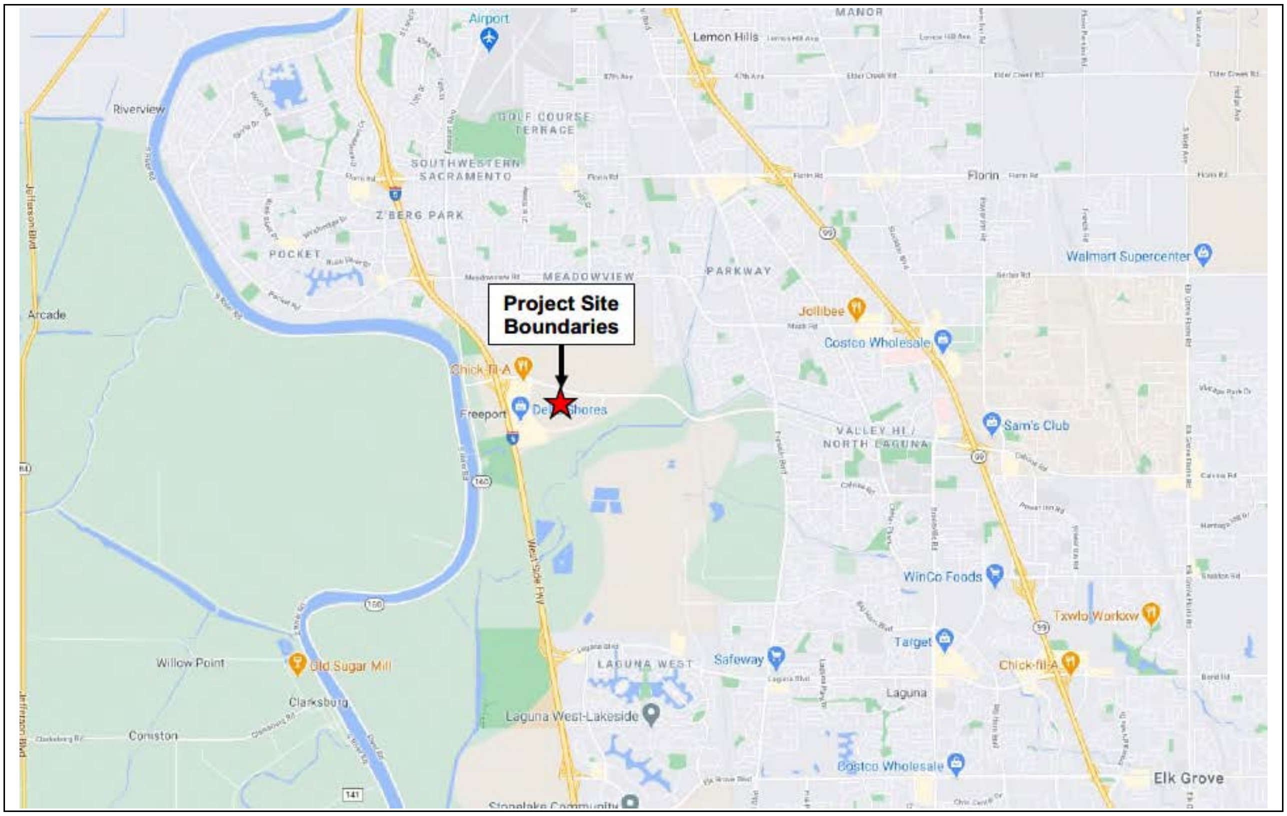
Viewing Northwest from South Portion of MDR-7

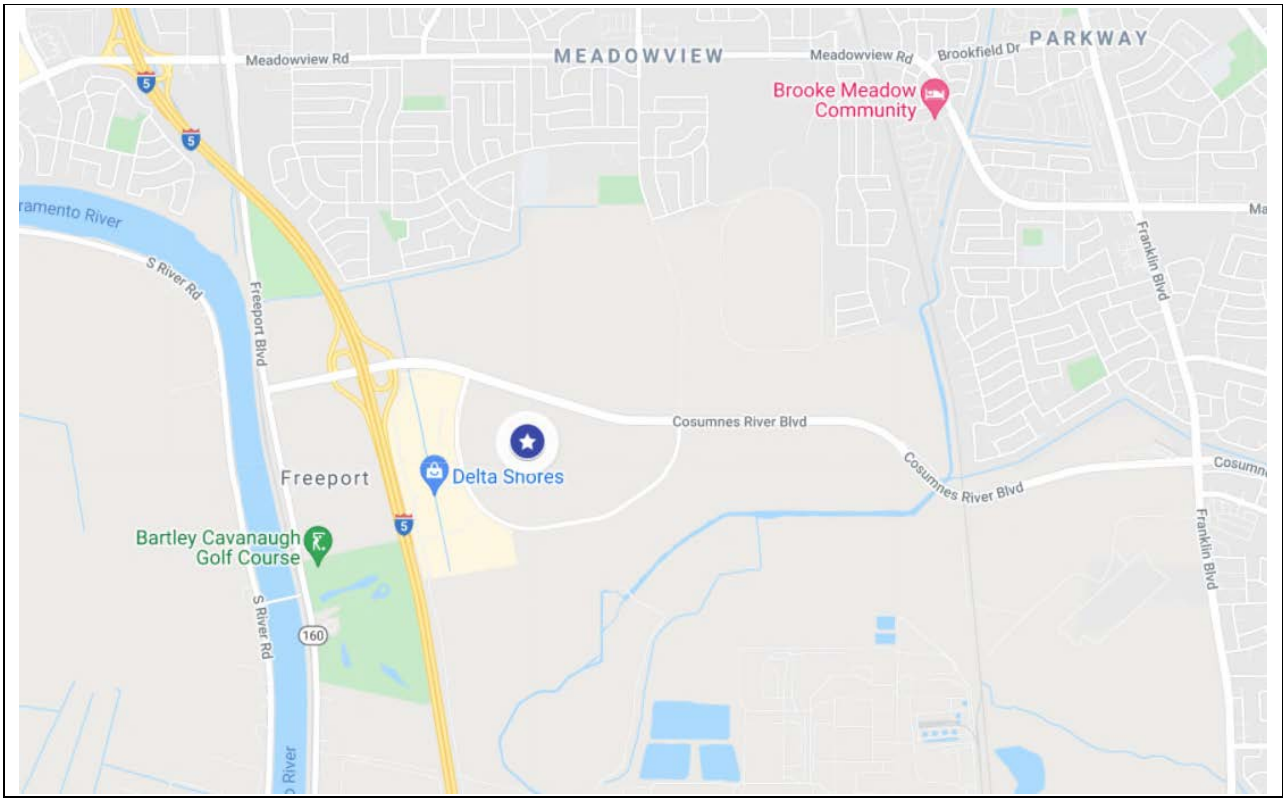
Viewing Northwest from Delta Shores Circle South (from Vicinity of HDR-8)

Viewing East from Delta Shores Circle South (from vicinity of HDR-6 & 7)

Viewing Northwest at Delta Shores Shopping Center

LOCATION MAP




Meadowview Rd
MEADOWVIEW
Meadowview Rd
Brookfield Dr
PARKWAY
Brooke Meadow Community
ramento River
S River Rd
Freeport Blvd
Franklin Blvd
Cosumnes River Blvd
Freeport
Delta Shores
Cosumnes River Blvd
Bartley Cavanaugh Golf Course
S River Rd
160
Franklin Blvd

OVERALL DELTA SHORES DEVELOPMENT

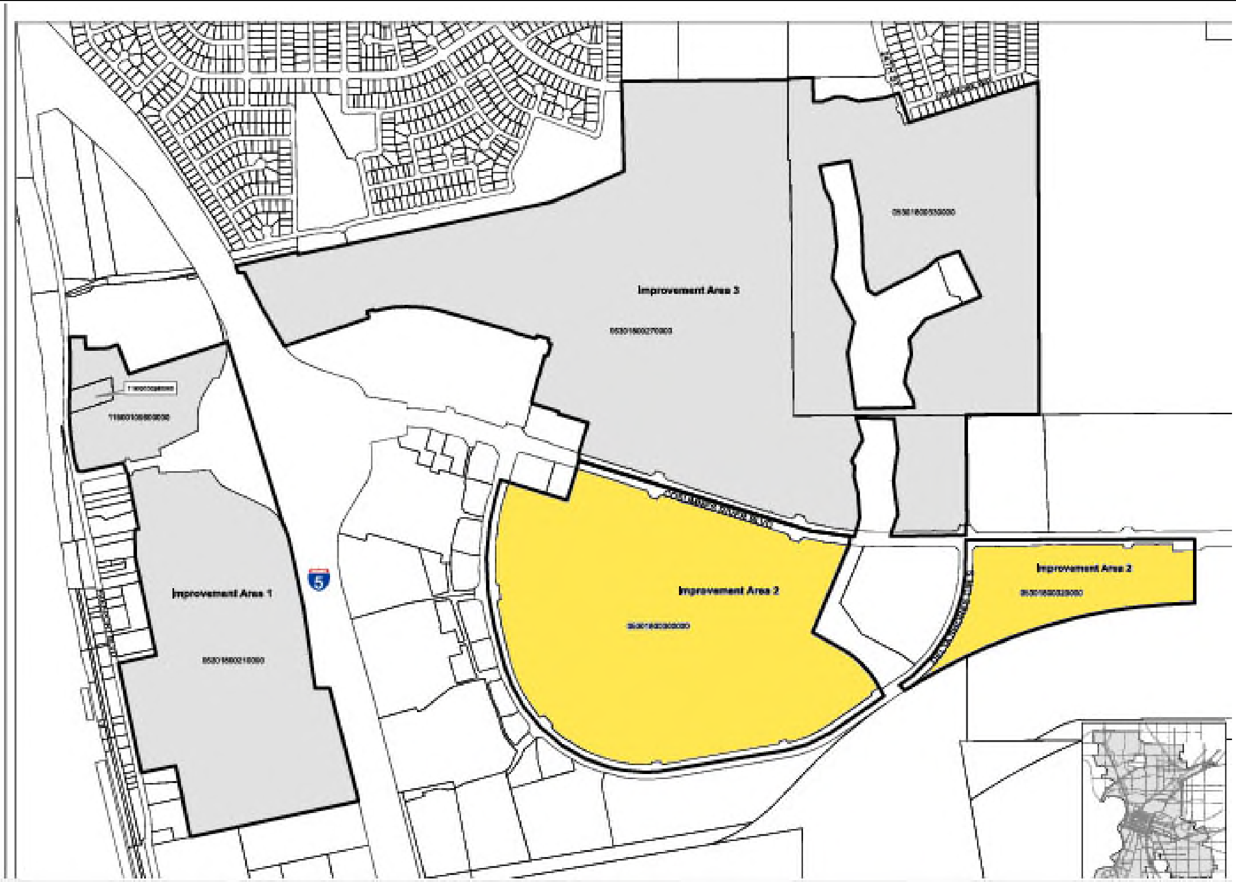
Development Summary

Land Use		Density Range	Acres	Percent	Units
Residential					
LDR	Low Density Residential	4-7 DU/AC	136.89	17.50%	675
MDR	Medium Density Residential (detached)	8-14 DU/AC	88.96	11.37%	1,245
	Medium Density Residential (attached)	8-14 DU/AC	88.96	11.37%	1,245
HDR	High Density Residential	15-27 DU/AC	64.36	8.23%	1,738
	Subtotal		379.17	48.48%	4,904
Commercial - Mixed Use					
C	Mixed Use Town Center	23-29 DU/AC	19.93	2.55%	187
C	Village/ Regional Center		121.70	15.56%	
C	Corner Retail		5.52	0.71%	
	Subtotal		147.15	18.81%	187
Public/Quasi-Public					
CC	Community Center		2.60	0.33%	
F	Fire Safety		2.00	0.26%	
W	Utility - Water		1.65	0.21%	
S	Sewer lift station		0.08		
SS	Utility - Electrical Substation		0.54	0.07%	
	Subtotal		6.87	0.87%	
Schools					
ES	School 1		9.98	1.28%	
ES	School 2		9.92	1.27%	
	Subtotal		19.90	2.54%	
Parks and Open Space					
P	Parks		61.74	7.89%	
OS	Open Space		24.45	3.13%	
OS-WL	Wetland Restoration		22.94	2.93%	
OS-D	Detention		31.70	4.05%	
Trails	Trails		3.58	0.46%	
	Subtotal		144.41	18.01%	
Circulation					
	Major Streets		84.63	10.82%	
	Subtotal		84.63	10.82%	
	Total		782.13	100%	5,091

Map is dated, but provides overall image of Delta Shores

Subject is Highlighted in Yellow in center of the Map

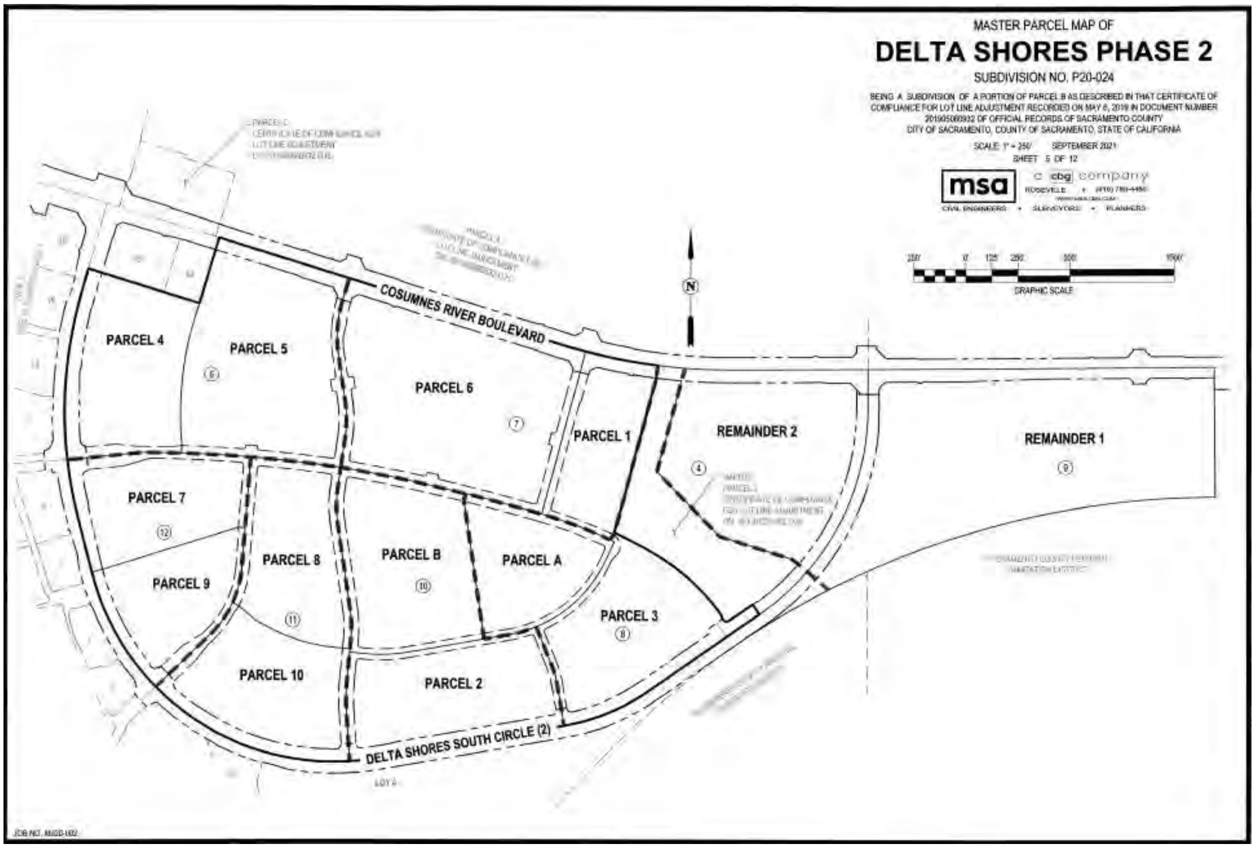
Highlighted Red is Regional Commercial substantially built-out



IMPROVEMENT AREA 2

The subject property includes only those areas highlighted above.

BBG



LARGE LOT FINAL MAP

SUMMARY OF SALIENT FACTS

Property	The subject property is identified as identified as Sacramento County Assessor Parcels No.'s 053-0180-030 and -032. More particularly, the subject is identified as Parcels 1 thru 10, Parcels A and B, and Remainder 1 on the Final Master Parcel Map of Delta Shores Phase 2. The subject property consist of 145.88 gross acres of which 90.76 acres is planned for development with 1,573 residential and multi-family lots/units. The remaining 55.12 acres consists of roads, two park sites and a school site.
Location	The subject project is located along the south side of Cosumnes River Boulevard at Delta Shores Circle South within the City of Sacramento, Sacramento County, California 95832.
Assessor Parcel Numbers	053-0180-030 and -032.
Ownership	M & H Realty Partners VI LP (majority of property) & MHRP / Signature Homes JV I LLC (MDR-5).
Zoning	Single-Unit or Duplex (R-1A-PUD), Multi-Unit Dwelling (R-3-PUD), and Residential Mixed Use (RMX-PUD).
Entitlements	Final large lot parcel map is recorded. The subject is identified as Parcels 1 thru 10, Parcels A and B, and Remainder 1 on the Final Master Parcel Map of Delta Shores Phase 2, Subdivision No. P20-024, dated September 2021 and recorded November 19, 2021. The four medium density village are presently in various stages of map approval. The final map for MDR-5 (87 lots) was recorded May 2, 2022. MDR-8 (136 total lots) is being processed in two phases. MDR-8A (76 lots) has an approved final map that is expected record in mid-May 2022. MDR-8B (60 lots) has an approved (small lot) tentative map. The MDR-8B final map is expected to be recorded in late 2022. Small lot tentative maps are currently in process for MDR-6 (102 lots) and MDR-7 (96 lots) and the developer anticipates tentative map approval in mid-2022 and final maps recording in late 2022. Only moderate remaining costs associated with mapping and engineering are anticipated. The entitlements are vested by Amended and Restated Development Agreement that was authorized for execution on May 8, 2015.

Land Use Summary

Land Use Summary - Delta Shores CFD - Improvement Area No. 2						
Lot ID.	Net Acres	Type	No. Lots/Units	Lot Status	Units/Acre	Min. Lot Size
MDR5	14.04	Medium Density	87	Recorded Final Map	6.20	4,000
MDR6	7.52	Medium Density	102	Large Lot Final Map	13.56	1,550
MDR7	8.42	Medium Density	96	Large Lot Final Map	11.40	1,829
MDR8	17.25	Medium Density	136	See Note (1)	7.88	3,116
MU-1	5.48	Mixed-use	125	Large Lot Final Map	22.81	-
HDR6	8.59	High Density	232	Large Lot Final Map	27.01	-
HDR7	6.93	High Density	186	Large Lot Final Map	26.84	-
HDR8	5.89	High Density	159	Large Lot Final Map	26.99	-
HDR9	8.02	High Density	217	Large Lot Final Map	27.06	-
HDR10	8.62	High Density	233	Large Lot Final Map	27.03	-
ES-2	10.01	School	-	Large Lot Final Map	-	-
P-9	6.13	Park	-	Large Lot Final Map	-	-
Roads	12.73		-	Large Lot Final Map	-	-
Regional Park	26.25		-	Large Lot Final Map	-	-
Total	145.88		1,573			
Developable	*90.76*		*1,573*			
*Non-Developable***	*55.12*		-			

(1) MDR-8 (136 total lots) is being processed in two phases. Phase I (MDR-8A, 70 lots) has a ready to record final map; Phase II (MDR-8B, 60 lots) has an approved small lot tentative map.

**Roads, park sites, shool site

Flood Zone	Zone X (Shaded) – Within the 500-year floodplain.
Highest and Best Use	Single-family and multi-family residential development, as currently approved
Exposure Time	9 months
Marketing Time	9 months
Property Rights Appraised	Fee Simple Estate
Effective Date of Value:	April 1, 2022

CONCLUSION - HYPOTHETICAL FEE SIMPLE MARKET VALUE			
Ownership	Area	*Date of Value*	Concluded Value
MHRP/Signature Homes JV I LLC	MDR-5	April 1, 2022	$9,300,000
M & H Realty Partners VI LP	Remainder of Property	April 1, 2022	$25,700,000
Aggregate Value			$35,000,000

The values reported above are subject to the extraordinary assumptions, hypothetical conditions, standard assumptions and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than the client and stated intended users may use or rely on the information, opinions and conclusions contained in the report.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions: The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. We relied on certain land development costs (identified as On-Site Internal Backbone Improvements in this report) and fees provided by the Master Developer and the Finance Plan. The budgeted costs for the On-Site Internal Backbone Improvements and fees appear reasonable relative to costs at other projects in the area. It is an extraordinary assumption that the said costs and fees are reasonably true and correct. Any substantial changes in costs and fees could have an effect on the value conclusions and the feasibility of development. We assume that competent and professional engineering has been completed and that the cost estimates were prepared by a qualified, professional service.

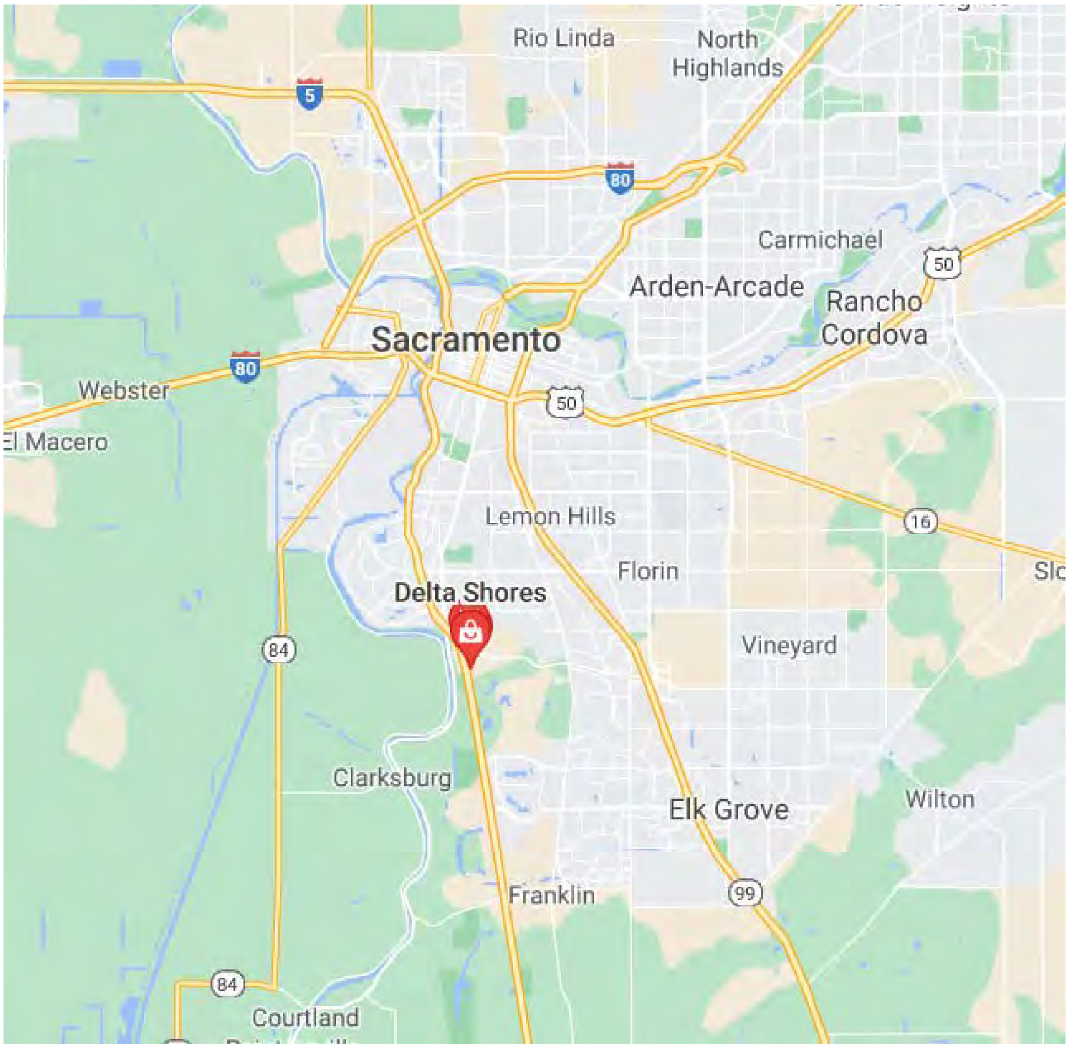
Hypothetical Conditions: The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. As of the date of value, the CFD Bonds had not been sold. The market value estimated herein is based on the hypothetical condition that, as of the date of inspection, the Bonds had just been sold and the property was encumbered by Special Taxes, as described herein. The value accounts for the impact of the lien of the Special Tax securing the Bonds.

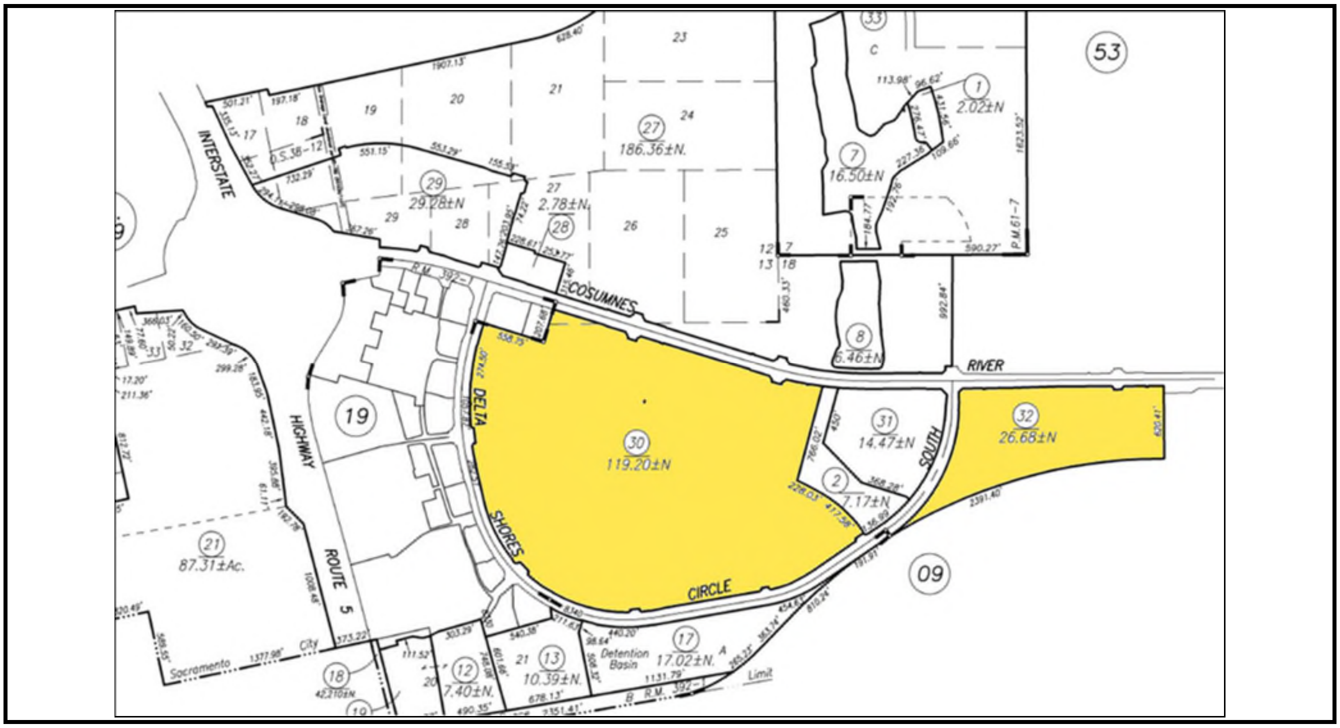
GENERAL INFORMATION

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is a development property located along Cosumnes River Boulevard and Delta Shores Circle South in Sacramento, California. It is situated in south Sacramento, east of Interstate Highway 5 along Cosumnes River Boulevard.



The subject property is identified as Sacramento County Assessor Parcel No.'s 053-0180-030 and -032. More particularly, the subject is identified as Parcels 1 thru 10, Parcels A and B, and Remainder 1 on the Final Master Parcel Map of Delta Shores Phase 2. The subject property consist of 145.88 gross acres of which 90.76 acres is planned for development with 1,573 residential and multi-family lots/units. The remaining 55.12 acres consists of roads, two park sites and a school site. The subject property is the first residential portion of Delta Shores. The commercial use at I-5 and Cosumnes Boulevard Road consisting of over 900,000 square feet has been developed. Major backbone infrastructure including the ring road circling the subject has been completed.



Delta Shores is a 782 acre master-planned community, located in the southwestern section of Sacramento, California. The community is entitled up to 1.3 million square feet of regional retail uses, 5,222 residential units, approximately 144 acres of open space, and mixed-use town center of approximately 20 acres. The initial Master Subdivision subdivided the development into sixty-four master parcels. The commercial component of the project (not a part of the appraisal) includes a village commercial center, and a neighborhood-serving mixed-use town center. Amenities such as open space, recreation, pedestrian/bicycle paths, and a community center have been incorporated into the land use plan.

Since 2009 the project has received various entitlements. These include approval of the Delta Shores PUD, Certification of the Delta Shores Environmental Impact Report, approval of the Delta Shores Development Agreement, various cost sharing agreements, several mitigation measures and various tentative and final maps. In 2019 Economic & Planning Systems, Inc. (EPS) prepared and updated their Finance Plan to address infrastructure and facility funding strategy for Delta Shores and to implement funding and reimbursement mechanisms. The Finance Plan includes use of existing and new fee programs, implementation of a land-secured financing district, and uses of other funding mechanisms. The appraisal of the subject is to assist in the land-secured financing of the finance plan.

The area north of the project site and east of I-5, known as the Meadowview neighborhood, has been developed with single family residential units over the last 30 years. Bordering the project site on the northeast is the federally-owned Sacramento Job Corps facility, a portion of which (102 acres) was recently acquired by the City of Sacramento for a planned homeless services facility. To the south of the Job Corps facility, east of the project site, is vacant privately-owned land zoned for residential uses; in November 2021 Taylor Builders announced a proposal for 1,160 residential units on this 141.2-acre site known as Stone Beetland. The western portion of the project site is just north of the City-owned Bartley Cavanaugh Golf Course. The Town of Freeport, which is within an unincorporated area of Sacramento County, borders the western boundary of the project site.

Improvement District No. 2 was formed for reimbursement of already constructed improvements within the district. The following provided by the developer summarizes authorized facilities within several Improvement Areas (IA's), including the subject are (IA2).

Improvements constructed in IA2
Improvements not constructed in IA2
Improvements under construction not in IA2
Improvements constructed not in IA2

Authorized Facilities	Budgeted Amounts [1]
Backbone Improvements	
Roadway	
I5/CRB Enhancements	$1,140,698
Delta Shores Circle South 1A	8,085,270
Delta Shores Circle North 1B	2,121,296
Subtotal Roadway	*$11,347,264*
Sewer	
Delta Shores Circle South 1A	$1,408,416
Delta Shores Circle North 1B	683,899
Interconnections 1C	742,997
Regional Sewer Lift Station	3,646,500
Regional Sewer Force Main	1,465,750
Subtotal Sewer	*$7,947,562*
Storm Drainage	
Drainage- 2 Regional Basins & 3 WQ Ponds	$3,576,515
Drainage Conveyance	1,156,779
Delta Shores Circle South 1A	2,123,473
Delta Shores Circle North 1B	558,008
Interconnections 1C	1,069,658
Drainage Trunk Line 1D	1,156,126
Subtotal Storm Drainage	*$9,640,559*
Water	
Transmission Main (Franklin to Freeport)	$5,648,197
Delta Shores Circle South 1A	1,093,187
Delta Shores Circle North 1B	447,880
Subtotal Water	*$7,189,264*
Subtotal Backbone Improvements	**$36,124,649**
Public Facilities (may be constructed or purchased by the City)	
Fire Station & Equipment	$12,224,000
Subtotal Public Facilities	**$12,224,000**
Land Dedications	
Open Space (29.4 acres)	$5,880,000
Detention (31.7 acres)	6,340,000
Subtotal Public Facilities	**$12,220,000**
TOTAL	**$60,568,649**

1 Footnote: Budgeted amounts are estimates. The actual amounts paid for each improvement or portion of an improvement will be the acquisition price determined in accordance with Section 5 of the Resolution of Intention, subject to the expenditure limit.

Improvement Area No. 2 is one of three improvement areas within the Delta Shores CFD and is located east of Interstate 5 and south of Cosumnes River Boulevard. The developer has completed significant portions of the authorized CFD facilities and has transferred one medium density village (MDR-5) into a joint venture agreement with Signature Homes (MDR-5 was transferred to MHRP / Signature Homes JV I LLC on 12/21/2021). The developer anticipates that the remaining medium density residential villages (MDR-6 thru 8) will be sold to a merchant builder in phases as final maps are recorded (between May/June 2022 for MDR-8A and year-end 2022 for MDR-6, 7 and 8B).

According to the Rate and Method of Apportionment (RMA) for Improvement Area 2, the identified public facilities authorized to be financed equate to $13,614,698 in 2021 dollars ($11,249,860 for completed facilities/land dedications plus $2,364,838 for pending facilities/land dedications). The completed facilities include various road, utilities, storm drainage and public land dedication to serve the project.

A summary of the subject property is as follows:

Land Use Summary - Delta Shores CFD - Improvement Area No. 2

Lot ID.	Net Acres	Type	No. Lots/Units	Lot Status	Units/Acre	Min. Lot Size
MDR5	14.04	Medium Density	87	Recorded Final Map	6.20	4,000
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MDR7	8.42	Medium Density	96	Large Lot Final Map	11.40	1,829
MDR8	17.25	Medium Density	136	See Note (1)	7.88	3,116
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P-9	6.13	Park	-	Large Lot Final Map	-	-
Roads	12.73		-	Large Lot Final Map	-	-
Regional Park	26.25		-	Large Lot Final Map	-	-
Total	145.88		1,573			
Developable	*90.76*		*1,573*			
*Non-Developable***	*55.12*		-			

(1) MDR-8 (136 total lots) is being processed in two phases. Phase I (MDR-8A, 70 lots) has a ready to record final map; Phase II (MDR-8B, 60 lots) has an approved small lot tentative map.

**Roads, park sites, shool site

PROJECT HISTORY

In 1983 the City of Sacramento approved the Delta Shores Planned Unit Development (PUD) which was intended to be developed as a manufacturing, research, and development zone with an emphasis on high tech business. A limited amount of residential development was included with the original PUD. Up until 2016 the project site had remained mostly undeveloped and had been used primarily for agricultural purposes. In 2009 the current Delta Shores Planned Unit Development (PUD) consisting of 1.3 million feet of commercial and up to 5,222 residential units was approved by the City of Sacramento. Today, over 900,000 square feet of commercial and retail space has been developed. As previously mentioned, the subject property is the first residential portion of Delta Shores.

SUBJECT PROJECT TO DATE

Development of Delta Shores started in 2015. Between 2014-2016 Cosumnes River Boulevard, the I-5 overpass interchange as well as the commercial shopping center commenced construction. In approximately 2017, Delta Shores Circle South, the southern border road of the property was completed. By the middle of 2018, over 900,000 square feet of retail space was completed at the southeast corner of I-5 and Cosumnes River Boulevard.

The subject has a new large lot final map (Final Master Parcel Map of Delta Shores Phase 2, Subdivision No. P20-024, dated September 2021 and recorded November 19, 2021).

The four medium density village are presently in various stages of map approval. The final map for MDR-5 (87 lots) was recorded May 2, 2022. MDR-8 (136 total lots) is being processed in two phases. MDR-8A (76 lots) has an approved final map that is expected record in mid-May 2022. MDR-8B (60 lots) has an approved small lot tentative map. The MDR-8B final map is expected to be recorded in late 2022. Small lot tentative maps are currently in process for MDR-6 (102 lots) and MDR-7 (96 lots) and the developer anticipates tentative map approval in mid-2022 and final maps recording in late 2022.

In June 2020 the subject owner and Signature Homes, Inc. entered into a partnership agreement for MDR-5 (87 lots). The terms of the agreement include an initial cash contribution by Signature Homes with the owner participating in profit on the development of the homes. Signature Homes was obligated to obtain map entitlements and construct the in-tract lot development as well as adjacent main roads. The financial details relating to this agreement are confidential and retained within the appraisal file. The closing date for MDR-5 was December 21, 2021. MDR-5 is presently owned by MHRP / Signature Homes JV I LLC.

Subsequent to the partnership agreement for MDR-5, the subject owner entered into purchase and sale agreements with Signature Homes for the remaining medium density villages (MDR-6, 7 and 8). The purchase agreements were provided and have been reviewed and analyzed and considered in our valuation; however, the financial details are not disclosed in this appraisal due to confidentiality agreements between the parties. Under the pending sale agreements, the buyer will be responsible for in-tract lot development and adjacent main roads, similar to the MDR-5 agreement. The anticipated closing dates for the remaining MDR villages are concurrent with the expected final map recording dates. For MDR-8, there will be two final subdivision maps (8A & 8B), which cover the initial and subsequent takedown areas. The initial acquisition (MDR-8A) is projected for May/June 2022. The subsequent acquisition (MDR-8B) is expected in late 2022. For MDR-6 & 7, closing is also projected for late 2022.

While the details relating to the closed and pending sale agreements for the four MDR villages are not reported herein, they have been analyzed and considered in our valuation.

The current owner recently placed on of the HDR sites on the market with no stated asking price. The owner is projecting pricing in the range of $28,000 to $30,000 per potential unit for the subject HDR sites.

CURRENT OWNERSHIP AND SALES HISTORY

The owner of the majority of the subject property is M & H Realty Partners VI LP. This entity has owned the property in excess of three years. As previously noted, the village identified as MDR-5 (87 lots) has been transferred into a joint venture with Signature Homes (owner of record as of December 21, 2021 is MHRP / Signature Homes JV I LLC). As discussed above, M & H Realty Partners VI LP has entered into purchase agreements with Signature Homes for the three other medium density villages (MDR-6, 7 and 8), which are expected to close between June and December 2022.

As previously noted, the partnership agreement for MDR-5 and the purchase and sale agreements for MDR-6, 7 and 8 were provided for our review. While the details relating to the closed and pending sale agreements for the four MDR villages are not reported herein, they have been analyzed and considered in our valuation.

One of the subject HDR parcels (HDR-6, 8.6 acres, 232 potential units) was recently offered for sale (unpriced) by Walker & Dunlop. Nate Oleson, the listing agent, reports that there has been strong interest from prospective buyers and provided the opinion that a price near $30,000 per unit is expected/achievable for this site.

No other listing, sales or pending agreements are in place.

FACILITIES TO BE FINANCED BY THE DISTRICT

The Bonds will assist with the financing of capital improvements and the costs of issuance. Specifically, per City of Sacramento Resolution No. 2019-90, the authorized facilities roadways, sewer, storm drainage, water and land dedication. Other such bond related expenses such as administrative fees, reimbursement of costs of CFD formation, and costs and incidental expenses related to eligible facilities are costs of the issuance. These improvements have already been constructed. The proceeds from the bond sale will be used to off-set remaining development costs of the project.

Principal and interest on the Bonds will be paid by a Special Tax levied against the subject property. This report is based on a hypothetical condition that the Bonds have just been sold and the subject properties are encumbered by the Special Tax.

Improvement Area No. 2 is one of three improvement areas within the Delta Shores CFD and is located east of Interstate 5 and south of Cosumnes River Boulevard. The developer has completed significant portions of the authorized CFD facilities and anticipates that home building activities will commence in mid-2022.

According to the Rate and Method of Apportionment (RMA) for Improvement Area 2, the identified public facilities authorized to be financed equate to $13,614,698 in 2021 dollars ($11,249,860 for completed facilities/land dedications plus $2,364,838 for pending facilities/land dedications). The completed facilities include various road, utilities, storm drainage and public land dedication to serve the project.

INTENDED USER AND INTENDED USE

The intended user of the appraisal is the City of Sacramento and the CFD finance team. The intended use is for bond financing. The appraisal is not intended for any other use or users.

PRIOR SERVICES

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have previously appraised the property that is the subject of this report for the current client within the three-year period immediately preceding acceptance of this assignment.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the Hypothetical Market Value of the subject property as of April 1, 2022. The value is subject to a hypothetical condition that the CFD Bonds have sold. The appraisal is valid only as of the stated effective date. The date of the report is May 19, 2022, which is the date this report was delivered to the client.

PROPERTY RIGHTS APPRAISED

As stated above, our analysis pertains to the fee simple interest in the subject property. This is defined as follows:

> Fee simple: "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."

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)

DEFINITION OF MARKET VALUE

Pertinent definitions, including the definition of market value, are included in the glossary, located in the Addenda to this report. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States:

"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."

Source: Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472

LOT DEFINITION(S)

Note that in this report, the term "finished lot" means all site development is completed, final map has recorded, and all development fees due at final map have been paid. A finished lot does not include fees due at building permit, since these items are associated with home construction. The definition of finished lot utilized in this report is shared by market participants in the Northern California region.

APPLICABLE REQUIREMENTS

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission.

LEVEL OF REPORTING DETAIL AND APPLICABLE REQUIREMENTS

Standards Rule 2-2 (Real Property Appraisal, Reporting) contained in USPAP requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report. This report is prepared as an Appraisal Report which, at a minimum, must summarize the appraiser's analysis and the rationale for the conclusions.

This appraisal report was prepared to conform with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute, as well as any additional standards of the client and intended users.

APPRAISER COMPETENCY

No steps were necessary to meet the competency provisions established under USPAP. We have appraised several properties similar to the subject in physical, locational, and economic characteristics, and are familiar with market conditions and trends; therefore, we have adequate experience and qualifications to appraise the subject. Appraiser certifications and qualifications are included in the Addenda of this report.

SIGNIFICANT PROFESSIONAL ASSISTANCE

No one provided significant real property appraisal assistance to the persons signing this certification.

SWOT ANALYSIS

SWOT ANALYSIS

During the course of our market analysis and valuation, the following Strengths, Weaknesses, Opportunities and Threats (SWOT) have been identified and considered in our valuation of the subject property.

STRENGTHS

- Within a fully entitled master planned community with major infrastructure already in place.
- Excellent accessibility to Interstate 5 and proximate to commuter light rail station.
- Walkable to major retail center with a wide variety of stores and restaurants.
- Within 10 miles (±15 minute drive) of Downtown Sacramento employment hub.

WEAKNESSES

- Subject schools are rated below average (could deter some family buyers and renters).
- The Meadowview neighborhood to the north of Delta Shores has below average residential values.
- Above average concentration of proposed high-density residential within subject project area.
- Potential for odor issues from the Sacramento Regional Wastewater Treatment Plant (located ±1 mile southeast of subject); however the operator been successful with odor control and has had few "odor events" (0 to 5 annually) over the past five years.

OPPORTUNITIES

- The substantial size and scope of the Delta Shores project should allow it to differentiate itself from the nearby Meadowview area.
- Very limited new home competition in immediate area.
- The single family and multifamily residential markets in the region and subject market area remain undersupplied.
- High builder demand for single-family residential land/lots as well as multifamily land.
- Kaiser has acquired ±28 acres within Delta Shores for a planned medical office complex. This potential "on-site" employment center would walkable for residents.
- 4.8-mile bike trail terminus schedule to be constructed in 2023.

THREATS

- In response to inflationary pressures, the Federal Reserve approved a 0.25% interest rate hike in March 2022, the first increase since December 2018. Fed officials indicated an aggressive path ahead, with further rates increases expected at each of the remaining six Fed meetings in 2022. Mortgage-interest rates have responded, and recently spiked to a national average of about 5% for a 30-year fixed rate mortgage. Rising inflation and Federal Reserve activity could push up mortgage rates further over the coming months/years. Though higher than the recent past, the current level is still historically low, with a long-term norm of about 6%.

- Proximity to City of Sacramento's planned homeless service project (on January 21, 2022 the City of Sacramento announced the acquisition of an undeveloped 102-acre property in south Sacramento for a planned homeless services project that is envisioned to include: safe parking, affordable housing, homeless services and potentially a civic amenity such as a community park). This project is located less than ½ mile northeast of the subject.

- A variety of economic headwinds (the fallout from Russia's war in Ukraine, above average inflation, volatile construction costs, labor shortages, supply chain issues, and future COVID-19 disruptions) could continue into the foreseeable future.

SCOPE OF WORK

The intended use and intended user(s) of this appraisal report, characteristics and complexity of the subject property, market conditions, widely-accepted methods and practices within the appraisal profession, and other pertinent factors were all considered in our determination of scope of work, which is detailed in the following sections.

VALUATION METHODOLOGY

Appraisers typically consider utilizing the cost, sales, and/or income capitalization approach in developing an opinion of value. The applicability of each approach is determined by the economic characteristics of the property, the availability of reliable data, and the common practice of market participants that reflect the most likely purchaser of the subject property.

In the valuation of the subject lots, we utilize the sales comparison and the income capitalization approach, which, for subdivision analysis, is commonly referred to as the subdivision development method. The sales comparison approach considers area bulk lot sales, with adjustments applied accordingly relative to the subject. The subdivision development method is a discounted cash flow analysis that reflects anticipated home prices and costs over an absorption period, leading to an estimate of residual land value. The projected cash flows have a finite life that corresponds with the sellout of the project.

A traditional cost approach for the subject is not applicable. However, in the finished lot valuation, we utilized numerous land sales, some of which were vacant land sales. We considered the cost of completing site improvements for each sale when determining an estimate of finished lot value; and from this value, we deducted the subject's projected remaining site improvement costs (if any) to arrive at an estimate of as is value. The same value could have been resulted had the comparables been analyzed on an unimproved or partially finished basis, with adjustments made for projected site development cost differences. From this value, we could have added the subject's projected remaining site development costs and arrived at an estimate of finished lot value. However, this method is not utilized by market participants, who prefer to analyze land deals on an "all in" land plus cost basis. The method applied in this report mirrors how market participants analyze like property. Moreover, in arriving at an estimate of finished lot value, costs associated with proposed home construction relative to current home pricing were considered in the subdivision development method.

RESEARCH AND ANALYSIS

In preparing this appraisal and over the course of this assignment, we performed extensive research and analysis of the subject, its competitors, and the broader market factors that impact value. The type and extent of our research and analysis is described throughout the report as it pertains to each section. In summary:

- Researched the legal and physical attributes of the subject property including: a physical inspection of the property was completed and serves as the basis for the site description contained in this report; the sales history was verified by consulting public records (ParcelQuest); zoning and entitlement information was obtained from the City of Sacramento Planning Department; the subject's deed restrictions; the subject's earthquake zone, flood zone and utilities were verified with applicable public agencies; property tax information for the current tax year was obtained from the Sacramento County Tax Collector's Office.

- Analyzed and documented data relating to the subject's neighborhood and surrounding market areas. This information was obtained through personal inspections of portions of the neighborhood and market areas, newspaper articles and interviews with various market participants.
- Determined the highest and best use of the subject property as though vacant, based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity). As will be shown in the *Highest and Best Use Analysis* section, the highest and best use of the subject property is for single-family residential homes (production homes).
- Gathered information on comparable properties and confirmed comparable transactions. We also relied on comparable information (sales, costs, permits and fees) that we had retained in our appraisal files and which may have resulted from prior interviews with market participants. The type and extent of our research and analysis is detailed in individual sections of the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.
- Estimated reasonable exposure and marketing times associated with the market value estimates.

INSPECTION DETAILS

Arthur Leck, MAI conducted several inspections of the property with the last inspection occurring on February 1, 2022. Scott Beebe, MAI has inspected the property on several occasions, most recently on April 20, 2022.

REGIONAL ANALYSIS

SACRAMENTO MSA

The Sacramento-Roseville-Arden Arcade Metropolitan Statistical Area is comprised of El Dorado, Placer, Sacramento and Yolo Counties, hereinafter called the Sacramento MSA. Sacramento is the capital of the State of California and the seat of Sacramento County. The city is located towards the north the California's expansive Central Valley and has an estimated population of just over 500,000, making it the sixth most-populous city in California. The four-county Sacramento MSA has 2.38 million residents, making it the largest MSA in the Central Valley and the fourth largest in California behind greater Los Angeles, the San Francisco Bay Area and San Diego.

Situated approximately 85 miles northeast of San Francisco, Sacramento is at the intersection of two major interstate freeways (I-5 and I-80) and at the confluence of the Sacramento and American rivers. The area is also served by a number of rail lines including the Amtrak Capital Corridor. This, in addition to convenient access to airports, rail and a deep-water port, makes Sacramento well connected both regionally and nationally. Sacramento is increasingly regarded as a leading business location due to its growing, well-educated population, affordable cost of living, plentiful amenities and overall high quality of life.

ECONOMIC OVERVIEW

Consistent with national and statewide trends, the regional economy had performed very well after rebounding from the "Great Recession". The region experienced strong job growth across private and public sectors; however, job growth as of early 2020 had started to slow and performance across industries was mixed in pre-COVID 19 affected data.

Employment losses in Sacramento soared during early to mid-2020 thanks to the coronavirus pandemic. In April 2020, employment losses totaled nearly 150,000 and the unemployment spiked to 14%; however jobs gradually returned as the economy reopened later in the year. As of August 2021, over 110,000 of the lost jobs have returned and the unemployment rate has declined to the mid 6% level.

The following excepts are from a Moody's Analytics for the Sacramento region dated July 2021, the most recent report available.

Recent Performance
Sacramento-Roseville-Arden-Arcade's economy is on the mend. Despite falling slightly off the national pace in recent months, the share of jobs regained since last spring closely resembles that of the U.S., placing SAC well ahead of California. Leisure/hospitality is leading the way in job growth, mirroring the national trend, while pivotal state government remains a source of strength. The unemployment rate has dropped to 6.2%, but it remains further from its prerecession rate than the nation. Moreover, a recent decline owes partly to a shrinking labor force.

State Government
The fall reopening of the University of California, Davis campus will bolster SAC's consumer industries. State government employment, anchored by UCD, accounts for a higher share of overall employment in SAC than in 90% of metro areas nationally. Not only does the university directly provide stable, higher-wage employment and bolster already-high workforce quality, but UCD's sizable student body contributes valuable spending to the area's bars and restaurants. Student consumption will be unleashed in full during the fall semester. The university plans to return to near-normal operations, with instruction conducted primarily on-campus and capacity restrictions lifted for residence facilities.

The public sector outlook is also bolstered by stronger state finances than initially projected. According to a Moody's Analytics state stress test, California will end the next three years with a small budget surplus net of federal aid and reserves. This above-average performance will help safeguard pivotal state government jobs.

Healthcare
SAC's healthcare industry will be a reliable driver of the metro area's recovery. Payrolls have recovered significantly more quickly than they have nationally, especially among hospitals. Prospects will improve further in the coming years thanks to UC Davis Medical Center, which is a hub for medical research. The hospital is investing $3.5 billion, and construction is expected to begin late this year to replace and expand existing patient care facilities. The hospital network's growing footprint and ability to deliver specialty services have made it a draw to an ever-larger pool of patients. Some of these will be from outside of the metro area, and this medical tourism will support retail and hospitality. Moreover, as major healthcare institutions in SAC continue to invest and expand, the metro area will create more high-wage jobs at hospitals and outpatient care centers.

Demographics
Midyear estimates showed a slowdown in 2020 population growth, pushing SAC closer to the nation, but a more open immigration policy will turn the tide. The main culprit last year was fewer people moving in from other parts of the U.S. on net. But there was also a decline in international in-migration amid stricter enforcement of immigration laws and the pandemic's impacts. Still, the metro area is adding prime-age workers, those aged 25 to 54, at a well above-average clip. SAC also enjoys far stronger natural population growth than elsewhere, as its elevated share of young adults means more births and fewer deaths.

However, natural population growth is weakening as a support. The winding down of the pandemic will not resolve the metro area's demographic issues, but President Biden's eventual changes to immigration policy represent an upside risk

Overall
Sacramento-Roseville-Arden-Arcade's recovery will extend into next year. UCD will provide stability while consumer spending will gain momentum as spending gets closer to pre-pandemic norms. Longer term, low costs and strong demographics, including a highly skilled workforce, will help SAC excel.

POPULATION

The Sacramento MSA has an estimated 2021 population of 2,383,795, which represents a compound annual increase of 0.9% over the 2010 census. This is down from the early to mid- 2000's when the region was growing in excess of 2% annually. Population growth trends within the region are summarized as follows:

Population Trends					
	Population			Compound Annual % Change	
	2010 Census	2021 Est.	2026 Est.	2010 - 2021	2021 - 2026
Sacramento MSA	2,149,127	2,383,795	2,470,060	0.9%	0.7%
California	37,253,956	39,740,046	40,757,275	0.6%	0.5%
Source: Claritas, LLC.					

Looking forward, Sacramento MSA's population is projected to increase at a 0.7% annual rate from 2021-2026, equivalent to the addition of an average of approximately 17,253 residents per year.

EMPLOYMENT

Sacramento's ability to attract and retain quality talent is largely attributed to its two higher-education institutions, the University of California, Davis and California State University, Sacramento. These facilities also help to foster organic growth within the labor force and produce a highly educated workforce for many of the region's leading companies as well as businesses that are relocating from the Bay Area for the relatively affordable space and living costs. As the Bay Area becomes increasingly less affordable and congested, Sacramento will continue to provide a viable opportunity for a better quality of life to much of that labor force. As a result, the city has begun to attract the employers that desire to be close to this labor pool.

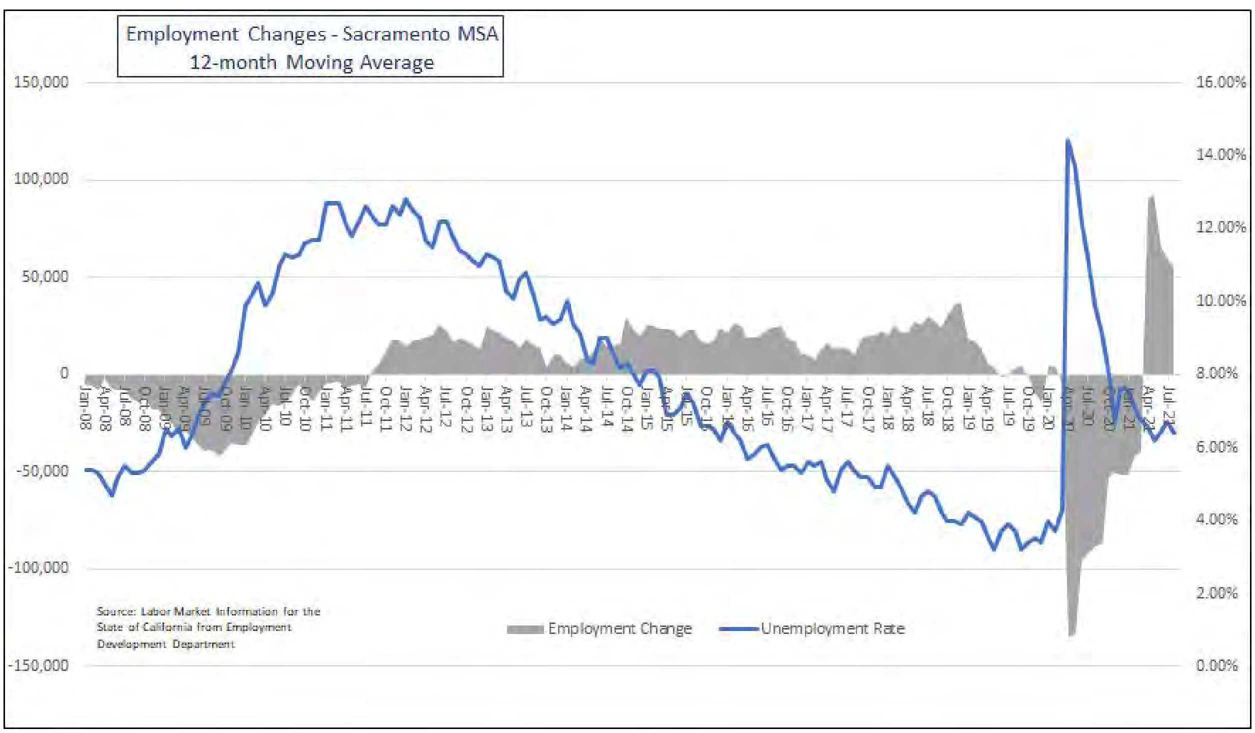
Historical employment trends for the region versus California are summarized in the following table.

Employment Trends						
	Total Employment (Year End)				Unemployment Rate (Annual Avg.)	
Year	Sacramento MSA	% Change	California	% Change	Sacramento MSA	California
2010	914,007	-1.0%	16,125,892	0.9%	12.4%	12.2%
2011	931,957	2.0%	16,423,914	1.8%	11.0%	11.7%
2012	945,585	1.5%	16,817,255	2.4%	9.5%	10.4%
2013	956,324	1.1%	17,081,350	1.6%	7.7%	8.9%
2014	978,549	2.3%	17,527,359	2.6%	6.2%	7.5%
2015	1,002,135	2.4%	17,841,873	1.8%	5.3%	6.2%
2016	1,013,762	1.2%	18,113,717	1.5%	4.8%	5.4%
2017	1,041,760	2.8%	18,402,974	1.6%	3.8%	4.2%
2018	1,066,068	2.3%	18,704,962	1.6%	3.7%	4.2%
2019	1,057,500	-0.8%	18,786,800	0.4%	3.6%	4.0%
2020	1,005,900	-4.9%	16,958,600	-9.7%	7.6%	9.1%
August-2021	1,028,000	2.2%	17,600,200	3.8%		
Overall Change 2010-2020	91,893	10.1%	832,708	5.2%		
Avg. Unemp. Rate 2010-2020					6.9%	7.6%
Unemployment Rate - August 2021					6.4%	7.5%

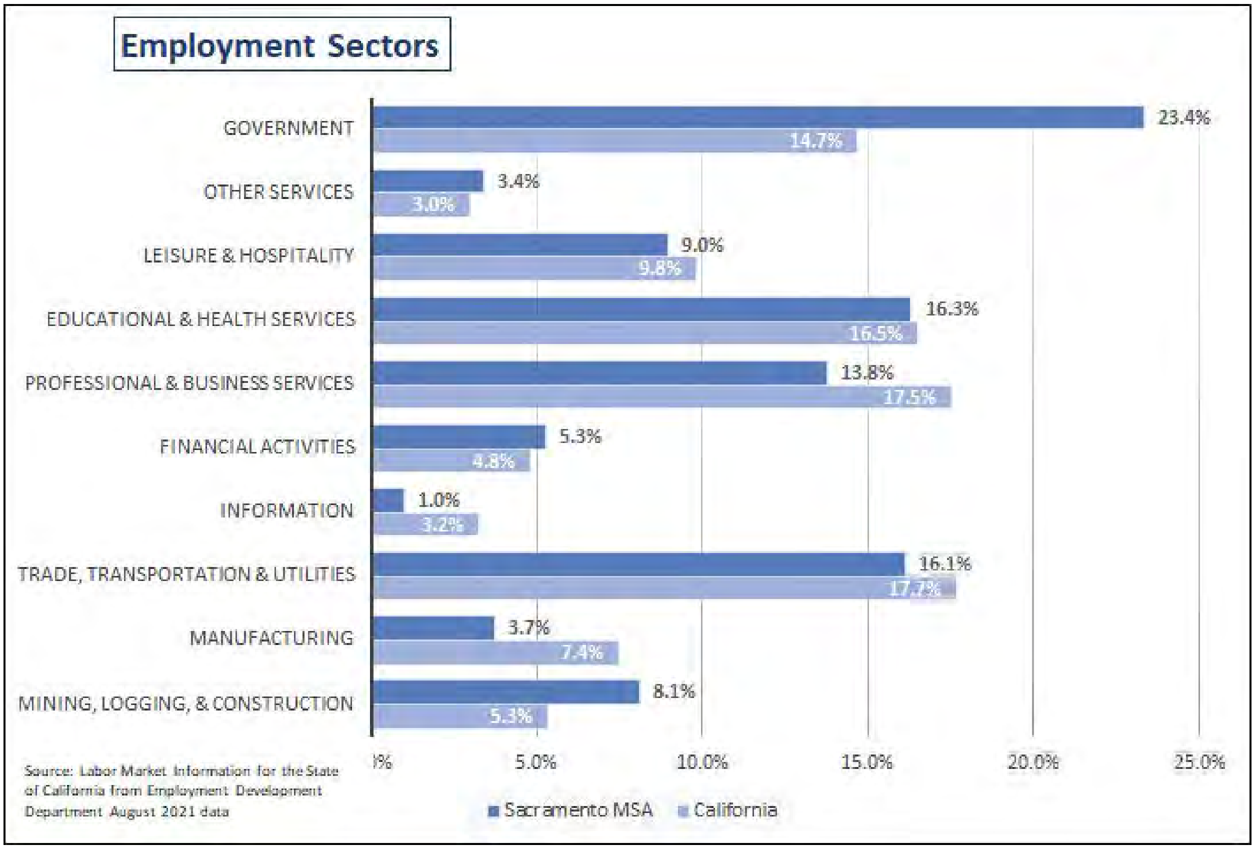
Source: Labor Market Information for the State of California from Employment Development Department. The figures are not seasonally adjusted.

Average annual unemployment rates for the region have been lower than the state for the past decade. Over the past decade, the average annual unemployment rate for the Sacramento MSA was 6.9%, compared to 7.6% for California.

The unemployment rate spiked early in the pandemic (April 2020) to 14% for the Sacramento MSA and 16% for California as a result of mass layoffs. The unemployment rate has gradually moved downward since and as of August 2021, the unemployment rate was 6.4% for the Sacramento MSA and 7.5% for California.



The following tables provide an overview and illustration of the major industry sectors within Sacramento MSA and the California. Total employment is broken down by major employment sector and ranked from largest to smallest based on the percentage of Sacramento MSA jobs in each category.



GOVERNMENT EMPLOYMENT

As the capital of California, a large portion of Sacramento's employment has historically been dominated by the State government and other public-sector employers. Today, State and local government accounts for 23% of the region's labor pool (±230,000 EE's), which is a very large share by national norms.

With a GDP of $3.2 trillion in 2019, California moved to 4th place in the IMF world economy rankings (California is the only state on the list of nations). As California continues to become more of a global player, Sacramento will continue to grow in significance as a city and the seat of the legislative body that governs the state.

PRIVATE SECTOR EMPLOYMENT

Government will always play a significant role in the region's economic base; however, as the population of Sacramento has grown, the economy has become increasingly diverse, attracting major employers in many private sector industries such as professional services, healthcare, education and trade, transportation and utilities. Sacramento has also provided a welcoming environment to many green and clean technology companies. This is largely due to California's progressive environmental policies but also in the provision of the opportunity to influence these policies from within the California state capital.

The strength of the region's labor force coupled with the availability of land, relatively affordable cost of living and ease of access to other major employment hubs continues to make Sacramento a desirable place to conduct business. Major private sector companies that have maintained a strong local presence and continue to have a positive impact on the region's economy are summarized in the following table.

Major Private Sector Employers - Sacramento MSA

Rank	Company	No. Employees	Rank	Company	No. Employees
1	Kaiser Permanente	23,485	11	Pacific Gas & Electric	3,128
2	Sutter Health	18,947	12	VSP Global	3,002
3	Dignity Health	9,033	13	Squaw Valle/Alpine Meadows	2,600
4	Intel Corp.	6,200	14	Thunder Valley Casino Resort	2,500
5	Raley's Inc.	5,915	15	Blue Shield of California	2,488
6	Apple Inc.	5,000	16	PRIDE Industries	2,366
7	Amazon	4,500	17	Cache Creek Casino Resort	2,300
8	Safeway	4,242	18	Wells Fargo & Co.	2,207
9	Adventist Health	3,646	19	Marshall Medical Center	1,640
10	Health Net, Inc.	3,227	20	Golden 1 Credit Union	1,547

*Does not include UC Davis Health (14,500 EE's)

Source: Sacramento Business Journal 2020 Book of Lists

HIGHER EDUCATION

The University of California at Davis, situated 15 miles west of Sacramento, is one of the nation's top public research universities and is ranked tenth amongst public universities nationwide by U.S. News and World Report. The UC Davis School of Medicine is ranked fourth amongst U.S. medical schools in research funding. Currently, more than 35,000 students are enrolled in over 100 undergraduate and 90 graduate programs at UC Davis. An additional 30,000 students are enrolled at California State University, Sacramento which offers 58 undergraduate and 40 graduate programs. Both schools make a significant impact on the higher-education levels of the local labor pool.

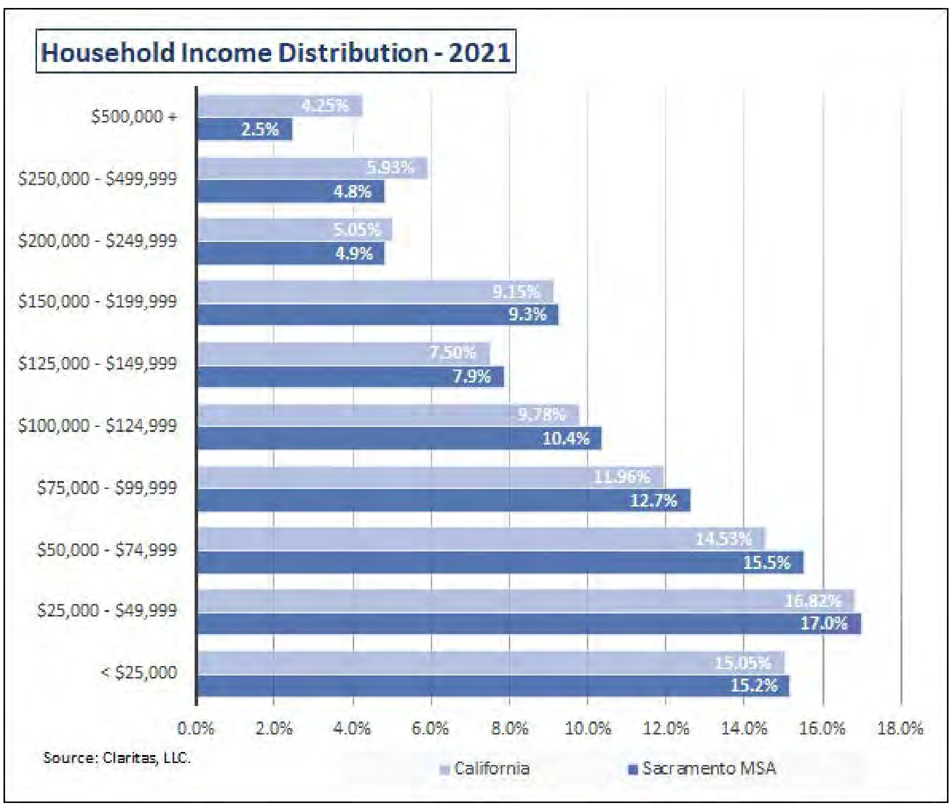
HOUSEHOLD INCOME

The median household income for the overall Sacramento MSA is slightly above the statewide average. Within the region, median household income is the highest in Placer and El Dorado Counties. The 2020 median income levels are summarized in the following table.

Demographic Characteristics Sacramento MSA vs. California 2021 Estimates		
Characteristic	**Sacramento MSA**	**California**
Median Home Price	$463,200	$600,149
Average Household Income	$109,265	$120,852
Median Household Income	$79,233	$82,053
Median Age	38.1	37.3
Average Household Size	2.7	2.9
Owner Occupied %	56%	61%
Renter Occupied %	44%	39%
Percent with Bachelor's Degree or Higher	32.7%	33.3%

Sources: Neilson 2021

Areas of concern for the Sacramento region are the slower pace of income growth and an increase in income inequality. Household income distribution in the region comparted to the State of CA is summarized below.



CONCLUSION

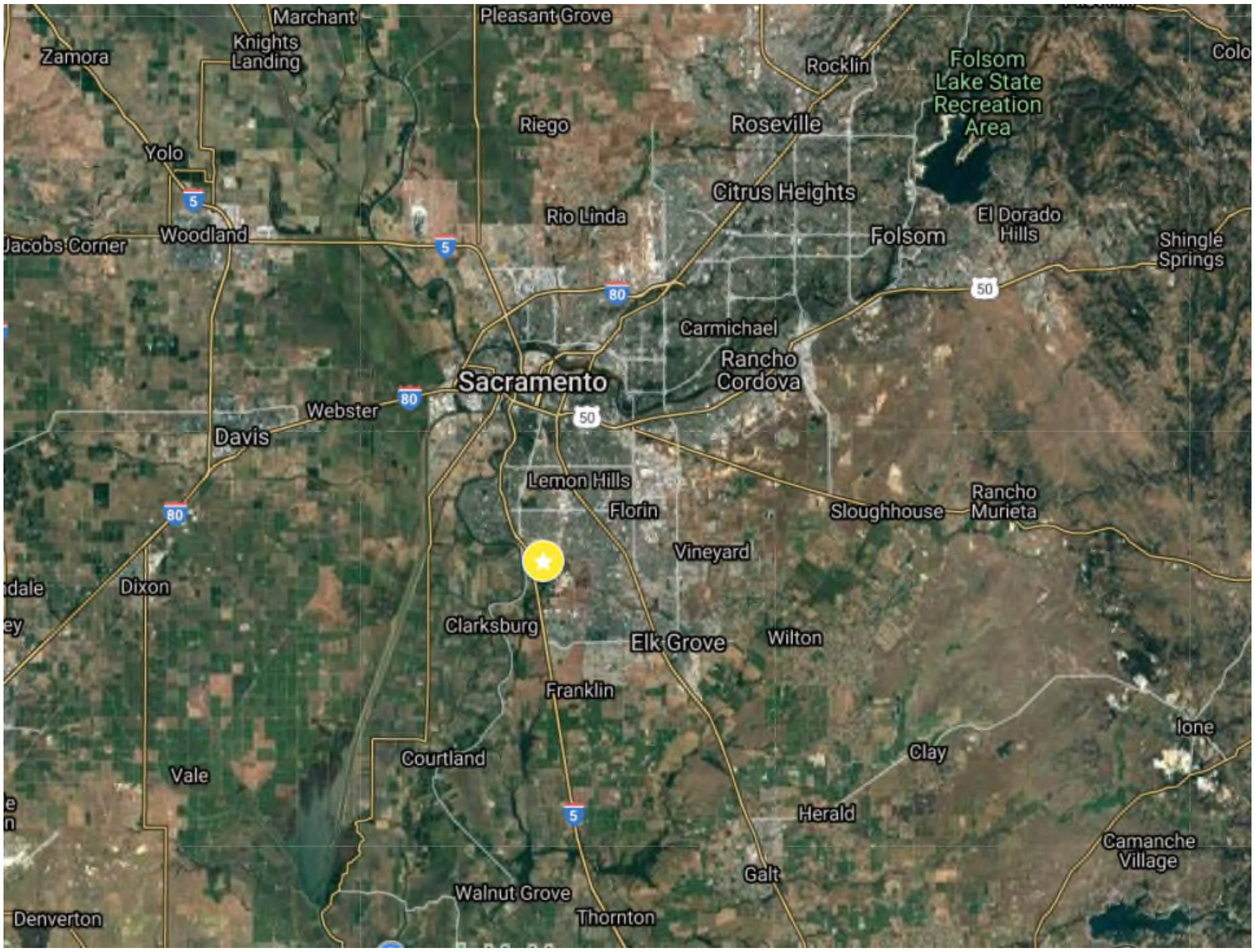
The region has experienced several economic cycles over the past 25 years. The growth periods were largely attributed to the area's quality of life, affordable housing costs and proximity to the San Francisco Bay region. The abundance of available land in the region however contributed to high speculation which resulted in wide swings in development cycles and real estate prices. The most recent down cycle was attributed partly to widespread economic factors for the United States related to greatly reduced economic activity resulting from measures enacted to slow the spread of the coronavirus pandemic. Going forward, the region will still be vulnerable to large economic swings primarily because the economy is not as diversified as many MSA’s due to a heavy reliance on government jobs.

The mid-to-long term outlook for the region remains encouraging due to strong fundamentals. The region’s affordability and attractiveness with respect to business in-migration, population growth, and development opportunities are considered embedded long-range assets. The Sacramento region experienced growth in the number of jobs over the past five years, and it is reasonable to assume that growth in employment as well as population will continue to occur in the future.

COVID-19 was first identified in the United States in early March 2020 and caused upheaval in the US economy through early 2021 when vaccines were rolled out in large scale. Since then, vaccines in the US have been a successful in reducing death and new case rates. The Delta Variant has continued to spread; however, the hospitalization rates for vaccinated adults has remained low compared with hospitalizations for unvaccinated individuals which continues to impact the health care system negatively. In late November 2021, the new Omicron Variant was discovered causing further concern. On a short-term basis, the economic outlook for Sacramento, as that of the nation, remains guarded due to lingering COVID-19 impacts.

On a long-term basis, it is anticipated that the Sacramento MSA will continue to grow and prosper. This future growth should provide an economic base that supports continued demand for real estate of all types on a long-term basis.

REGIONAL MAP



NEIGHBORHOOD ANALYSIS

This section of the report provides an analysis of the observable data that indicate patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as "a group of complementary land uses; a congruous grouping of inhabitants, buildings or business enterprises," as described by The Dictionary of Real Estate Appraisal.

LOCATION AND NEIGHBORHOOD BOUNDARIES

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

The subject is located in the southern portion of City of Sacramento. The subject property is located along the south side of Cosumnes River Boulevard, approximately ¼ mile east of I-5 within the South Sacramento submarket. The subject location is southwest of the Pocket area neighborhood, south of the Meadowview neighborhood and north of the Laguna neighborhood. Meadowview, located north and east of the subject is an older neighborhood of fair quality commercial and residential and generally has a below average residential property values. Laguna, one mile to the south, is a 20 year old suburban area of Sacramento and features good quality homes and commercial properties. To the west is Freeport, an unincorporated town having older commercial and residential properties.

ACCESS AND LINKAGES

Primary highway access to the area is via Interstate Highway 5. The main east-west corridors in the area are Meadowview/Mack Road, Cosumnes River Boulevard and Laguna Boulevard. These roads connect to both Interstate-5 and Highway 99. Interstate 5, Franklin Boulevard, Center Parkway, and Highway 99 are the major north-south arteries.

Already well served by Regional Transit (RT) bus service, the subject neighborhood recently became home to a light-rail station. The new light-rail south line is now transporting thousands to downtown and the northern and eastern portions of Sacramento County.

NEIGHBORHOOD OVERVIEW/LAND USES

The neighborhood can generally be described as a mature mixed-use area, which encompasses all types of land uses. It is situated approximately 10 miles south of downtown Sacramento and is easily accessible via Interstate 5 and Highway 99. Given the proximity to these major freeways, access to the neighborhood is considered good/excellent.

The South Sacramento community includes a wide variety of housing types, including: single and multiple family developments, independent and assisted senior housing developments. Home ownership in this neighborhood is approximately 50 percent and the quality and condition of the homes is fair to average relative to other areas of Sacramento. Multi-family uses in the neighborhood account for about 5-10 percent of the land uses. Most are 50 or more units in size. The median age of the apartment complexes is 30 years. The apartment projects include both market rate units and those with subsidized rents. The overall multi-family occupancy of the neighborhood is roughly 97%.

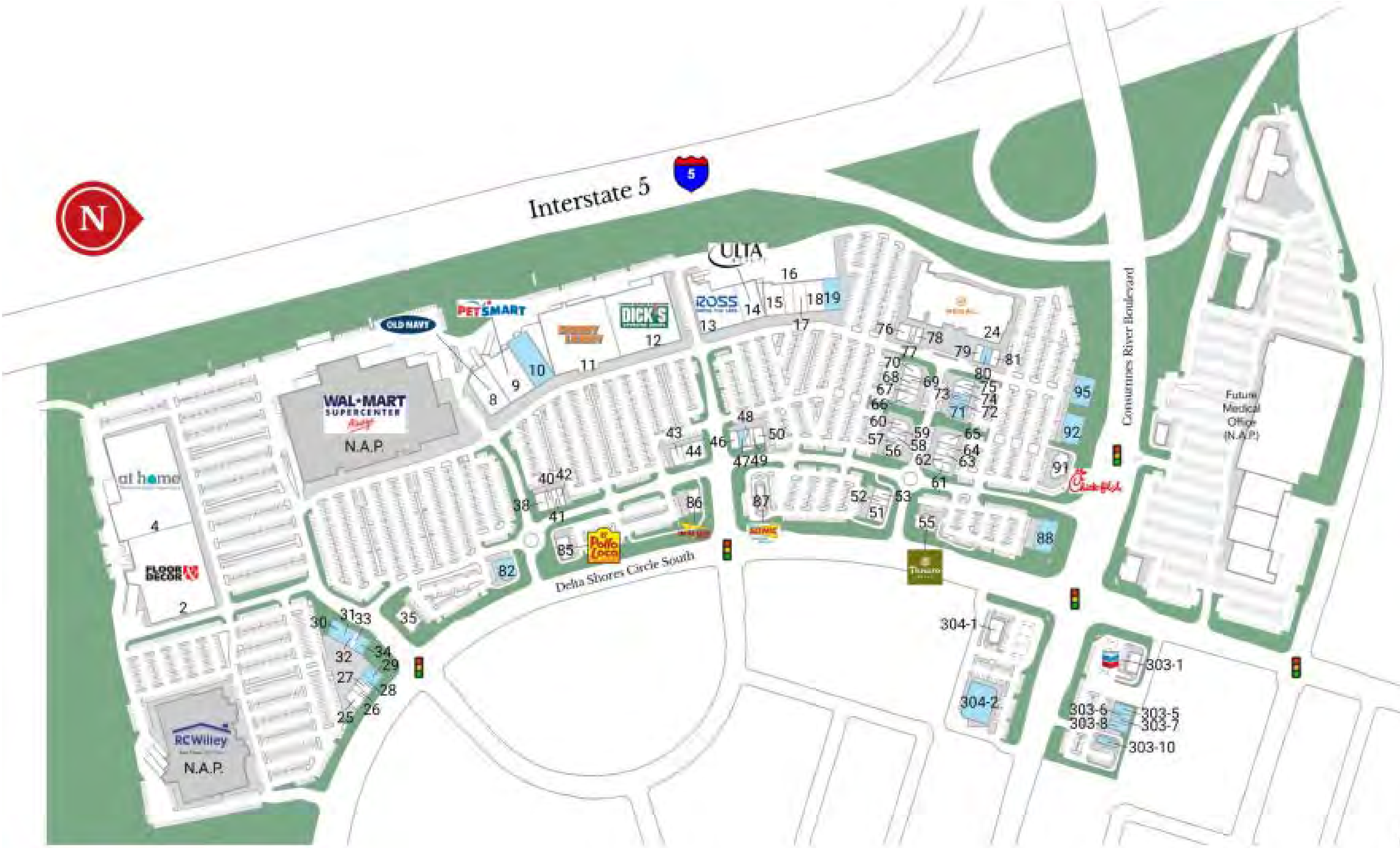
The immediate subject neighborhood has not experienced any large scale residential development for many years; however, this trend is expected to change over the coming years as the residential portions of Delta Shores are built-out with homes. As previously noted, Delta Shores is a mixed-use master planned community containing 782 acres. The project has entitlements for up to 1.3 million feet of regional retail uses, 5,222 residential units, two new elementary schools, as well as parks, extensive open space and wetlands.

Additionally, a planned ±141 acre development known as Stone Beetland is located just east of Delta Shores. The developer, Taylor Builders, recently announced that they are planning about 1,160 residential units. The project is located on the north side of Cosumnes River Boulevard east of 24th Street (future road) and immediately west of the Morrison Creek light rail station. The project is envisioned to include transit oriented villages as part of the overall development. The potential timing of this project is uncertain at present, but is expected to lag the initial residential development within Delta Shores by several years.

Most of the existing retail/commercial properties are located at the major arterials of the neighborhood such a I-5 and Cosumnes River Boulevard, Laguna Boulevard, Florin Road, Fruitridge Road, Mack Road, Calvine Road, Freeport Boulevard and Franklin Boulevard. These uses primarily cater to the surrounding residents. In addition, the community is served by two hospitals, several medical facilities, and the Cosumnes River Community College.

Large commercial shopping developments include Delta Shores, with Florin Towne Centre and the Southgate Shopping Center located in the northern portion of the area. Delta Shores is a regional shopping center located at I-5 and Cosumnes River Boulevard. The center contains over 900,000 SF of retail and is anchored by Walmart Supercenter, RC Willey, At Home, Floor & Décor, Regal Theater, Hobby Lobby, Dick's Sporting Goods, Ross, Old Navy and Ulta Beauty and includes many other smaller national retailers. The overall project is ±95% occupied.

A site plan and tenant list for this project is provided on the following pages.



N
Interstate 5
5
ULTA
ROSS
PETSMART
OLD NAVY
DICK'S
WAL-MART SUPERCENTER
N.A.P.
at home
FLOOR & DECOR
RCWilley
N.A.P.
Delta Shores Circle South
Consumnes River Boulevard
Future Medical Office (N.A.P.)
304-1
304-2
303-1
303-5
303-6
303-7
303-8
303-10

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Current Tenants

2	Floor & Decor	74,400 SF	53	Starbucks Coffee	2,288 SF
4	At Home	90,000 SF	55	Panera Bread	4,300 SF
8	Old Navy	14,165 SF	56	Noodles & Co.	2,647 SF
9	PetSmart	17,950 SF	57	Mochinut	1,121 SF
11	Hobby Lobby	55,151 SF	58	Dazzling Nails and Spa	1,122 SF
12	Dick's Sporting Goods	50,000 SF	59	Metro PCS	1,122 SF
13	Ross Dress for Less	25,000 SF	60	Firehouse Crawfish	2,580 SF
14	Ulta Beauty	10,232 SF	61	Chipotle Mexican Grill	1,933 SF
15	Daiso	7,700 SF	62	Jersey Mike's Subs	1,362 SF
16	Bath & Body Works	3,850 SF	63	Jamba Juice	1,605 SF
17	5.11 Tactical	4,948 SF	64	Menchie's Frozen Yogurt	1,105 SF
18	Famous Footwear	6,820 SF	65	The Habit Burger Grill	2,551 SF
24	Regal Cinemas	58,907 SF	66	Pieology	2,457 SF
25	Mayweather Boxing + Fitne...	2,000 SF	67	Koshi Ramen Bar	1,500 SF
26	Delta Shores Nails & Spa	1,200 SF	68	The Joint Chiropractic	1,101 SF
27	The Sandwich Spot	1,406 SF	69	Police Sub Station	1,105 SF
33	Merlone Geier Management	1,171 SF	70	Fire Wings	2,415 SF
35	Xfinity	5,052 SF	74	Mr. Greek	1,600 SF
38	T-Mobile	2,597 SF	75	Tastea	1,587 SF
40	Crumbl Cookies	1,301 SF	76	Fire Taproom	2,507 SF
41	Beauty By Thread	1,171 SF	77	Repair All	1,217 SF
42	See's Candies	1,432 SF	78	Hokee Poke	1,283 SF
43	Dental	3,100 SF	79	Sweet Charlie's	1,288 SF
44	Sleep Train	4,100 SF	81	Amazing Lash Studio	1,652 SF
46	Panda Express	1,900 SF	85	El Pollo Loco	2,995 SF
48	Sport Clips	895 SF	86	In-N-Out Burger	3,867 SF
49	Sourdough & Co.	1,328 SF	87	Sonic	2,680 SF
50	AT&T	2,000 SF	91	Chick-Fil-A	4,653 SF
51	Verizon Wireless	4,000 SF	303-1	Chevron/7-Eleven	3,000 SF
52	Great Clips	1,000 SF	304-1	Arco	3,000 SF

Available/Coming Soon

10	Available	15,053 SF
19	Available	6,600 SF
28	Available	1,406 SF
29	Available	2,519 SF
30	Available	2,505 SF
31	Available	1,171 SF
32	Available	1,172 SF
34	Available	2,503 SF
47	Available	1,080 SF
71	Available	2,390 SF
72	Available	1,350 SF
73	Available	1,600 SF
80	Available	2,074 SF
82	Available	4,200 SF
88	Available	7,000 SF
92	Available	7,000 SF
95	Available	7,000 SF
303-10	Available	2,195 SF
303-5	Available	2,012 SF
303-6	Available	1,243 SF
303-7	Available	1,243 SF
303-8	Available	2,012 SF
304-2	Available	14,000 SF

**List above excludes Walmart Supercenter (±190,000 SF) and RC Willey (±165,000 SF).*


Pocket Neighborhood
Meadowview Neighborhood
Planned Homeless Services Project
Valley High Neighborhood
Delta Shores Commercial
Subject
Freeport Town Area
Cosumnes River Community College
Sacramento Regional Wastewater Plant
Laguna Neighborhood
Laguna Neighborhood
Elk Grove Area
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DEMOGRAPHICS

Demographics for the subject neighborhood are summarized and compared to the city, county, and MSA below.

COMPARATIVE DEMOGRAPHIC ANALYSIS FOR PRIMARY TRADE AREA						
Description	1 Mile Totals	3 Mile Totals	5 Mile Totals	City of Sacramento	Sacramento County	Sacramento MSA
Population						
2000 Census	2,764	83,921	246,210	406,233	1,223,782	1,796,842
2010 Census	2,341	88,198	278,057	466,488	1,418,788	2,149,127
2021 Estimate	2,406	95,320	302,156	510,476	1,564,478	2,383,795
2026 Projection	2,440	98,314	312,056	527,205	1,619,112	2,470,060
2021 Est. Median Age	30.27	33.94	35.32	36.38	37.23	38.26
2021 Est. Average Age	32.39	36.31	37.21	37.80	38.60	39.40
Households						
2000 Census	636	25,968	81,842	90,973	453,700	665,300
2010 Census	529	27,634	91,819	103,770	513,945	787,667
2021 Estimate	550	29,684	98,269	112,324	557,643	866,097
2026 Projection	560	30,587	101,154	115,742	575,017	896,343
2021 Est. Households by Household Income %						
Income < $15,000	7.09	9.36	9.47	10.04	8.45	8.20
Income $15,000 - $24,999	6.00	7.94	8.74	8.63	7.46	6.98
Income $25,000 - $34,999	12.55	8.70	8.41	7.60	7.10	6.90
Income $35,000 - $49,999	13.09	12.35	11.45	11.11	10.75	10.07
Income $50,000 - $74,999	20.91	18.72	17.35	16.77	16.37	15.51
Income $75,000 - $99,999	14.55	12.96	12.67	12.54	12.75	12.65
Income $100,000 - $124,999	9.64	9.73	9.69	9.85	10.26	10.38
Income $125,000 - $149,999	5.27	6.24	6.68	7.13	7.72	7.88
Income $150,000 - $199,999	5.09	6.54	7.53	7.46	8.96	9.28
Income $200,000 - $249,999	3.09	3.70	3.99	3.84	4.58	4.85
Income $250,000 - $499,999	2.00	2.73	3.00	3.51	3.95	4.82
Income $500,000+	0.73	1.02	1.03	1.54	1.66	2.48
2021 Est. Average Household Income	$81,945	$87,517	$90,090	$94,236	$101,240	$109,265
2021 Est. Median Household Income	$62,888	$64,847	$66,591	$68,313	$74,785	$79,233
2021 Est. Tenure of Occupied Housing Units -%						
Owner Occupied	60.73	54.83	57.03	49.08	57.54	61.01
Renter Occupied	39.27	45.17	42.97	50.92	42.46	38.99
2021 Est. Median All Owner-Occupied Housing Value	$406,220	$361,124	$390,566	$409,255	$423,907	$463,200
Source: 2021 Claritas Inc.						

As shown above, the current population within a 3-mile radius of the subject is 95,320, and the average household size is 3.2. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years.

Median household income is $64,847, which is lower than the household income for the Sacramento MSA ($79,233). Residents within a 3-mile radius have lower owner-occupied median home values at $361,124 in comparison to the Sacramento MSA at $463,200.

SUPPORT SERVICES & RECREATIONAL

The neighborhood contains most typical support services. Medical uses are located near Highway 99 and Mack Road. It is noted that Kaiser recently acquired a 29-acre site at the northeast quadrant of Interstate 5 and Cosumnes River Blvd (within Delta Shores) for a future medical campus. Retail uses are located in close proximity to the neighborhood residential area, with the major retail use being the previously discussed Delta Shores regional shopping center. Neighborhood parks are located throughout the area.

The City of Sacramento is planning a regional park to be located immediately east of the subject along Cosumnes River Boulevard. Existing recreational areas include several public golf courses including Bing Maloney and Bartley Cavanaugh and the Sacramento River with boat docks and marina along Freeport Boulevard.

The City of Sacramento is working on the Del Rio trail to connect parts of south Sacramento to existing Sacramento River Bike Trail. The trail would start at the Bill Conlin Sports complex, at Freeport Boulevard. The project has $2.2 million in funding for preliminary engineering, environmental clearance, and final design from the federal Active Transportation Program (ATP), through the Sacramento Area Council of Governments (SACOG), and matching local transportation funds. The total project cost is approximately $16.5 million. The construction phase is anticipated to begin Spring 2022.

SCHOOL DISTRICT

The neighborhood is split between two school districts. The highly acclaimed Elk Grove School District makes up most of the south, central and eastern portions of the neighborhood. The Elk Grove School District boundary near Delta Shores is one-quarter mile to the east. The balance of the neighborhood is served by the Sacramento Unified School District, considered by most to be inferior to Elk Grove School District. The subject project (Delta Shores) is within the Sacramento Unified School District. The elementary, middle and high schools that will serve Delta Shores have below average rankings as compared to the nearby Elk Grove School District.

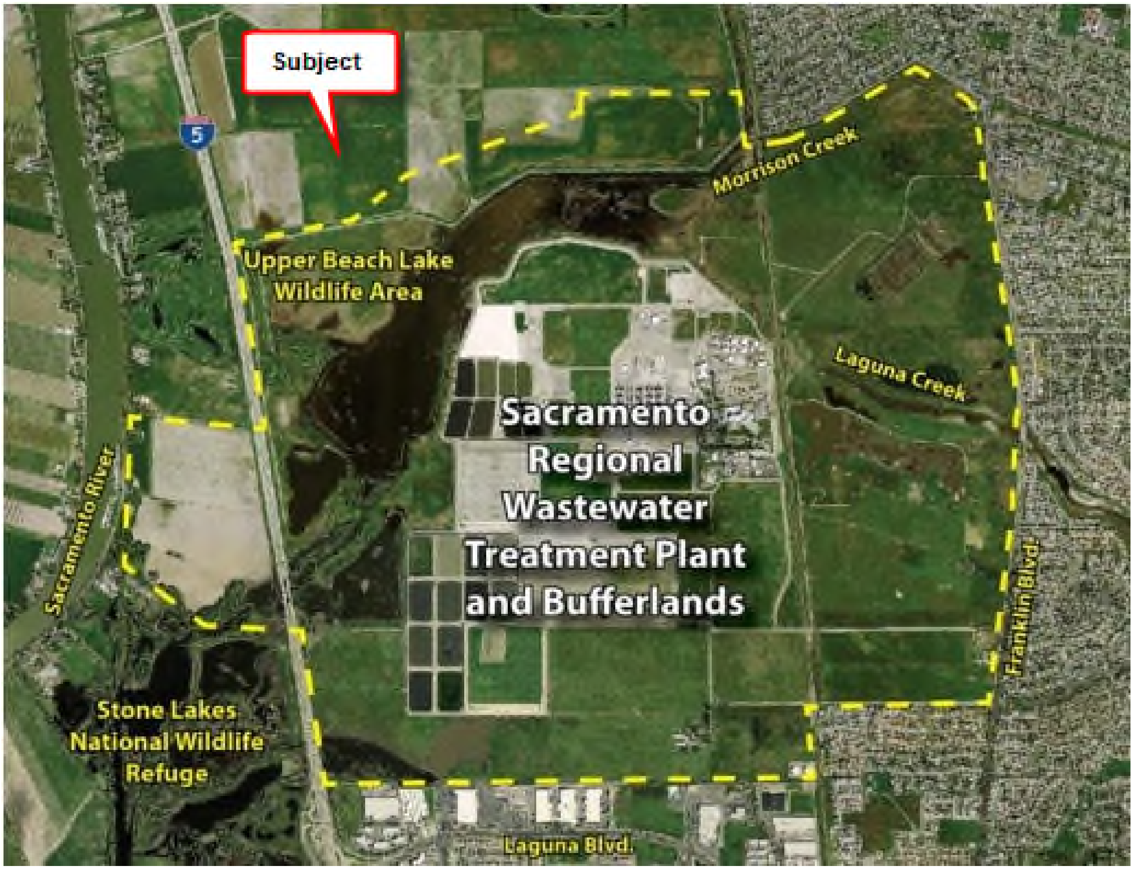
CONCLUSIONS

The area is in the limited growth /stable stage of its life cycle. Given the history of the area and the growth trends, we expect that property values will hold generally steady in the near and mid-term. In comparison to other areas in the region, the area is rated as follows:

SURROUNDING AREA ATTRIBUTE RATINGS	
Highway Access	Above Average
Demand Generators	Average
Convenience to Supporting Land Uses	Average
Employment Stability	Average
Demographic Trends	Fair-Average
Property Compatibility	Average
General Appearance of Properties	Fair-Average
Appeal to Market	Average
Price/Value Trend	Fair-Average

SACRAMENTO REGIONAL WASTEWATER TREATMENT PLANT

A notable large-scale land use within the subject neighborhood is the Sacramento Regional Wastewater Treatment Plant (SRWTP), situated just southeast of Delta Shores, which includes some ±2,150-acres of buffer land (open space) surrounding the facility to minimize odor impacts on surrounding residential areas. The plant is located ±1 mile southeast of subject.



The SRWPT has been successful with odor control and has had few "odor events" over the past five years. Information relating to odor events at the facility is summarized as follows:

Wastewater Treatment Plant Odor Events

Definition

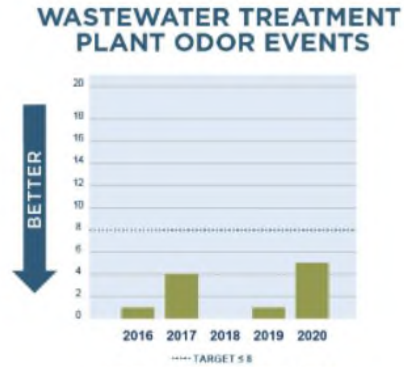
A wastewater treatment plant odor event occurs when odors released from the wastewater treatment plant site are easily recognized by the average person and reported to Regional San staff.

Target

No more than 8 wastewater treatment plant odor events per year.

Purpose

This service level reflects the effectiveness of our odor control equipment and practices at the wastewater treatment plant.



Violations occur when odors released from the wastewater treatment plant are easily recognized by the average person and reported to Regional San staff.

Critical Impacts

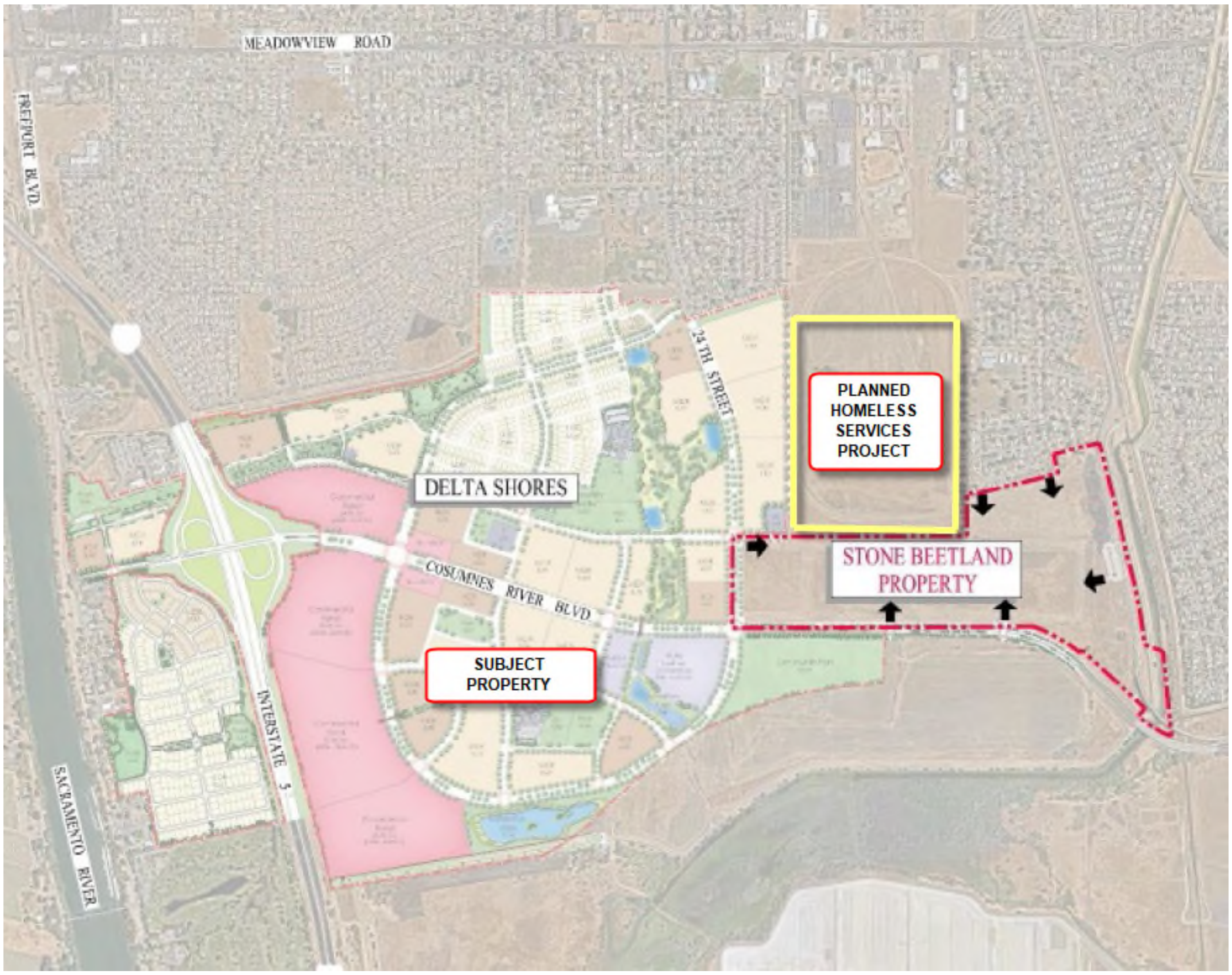
A wastewater treatment plant odor event can be caused by the failure or over exceeding the capacity of odor control equipment; process upsets; overloading the solids storage basins; inadequate injection of solids under the soil at the dedicated land disposal facilities; scheduled maintenance of process equipment (prolonged diversion of wastewater to emergency storage basins); failing to adequately clean emergency storage basins; and uncovering wastewater tanks, vaults or manholes for prolonged periods. These events can also be caused by the Biosolids Recycling Facility and are highly influenced by weather conditions.

CONCLUSION

Given the surrounding buffer lands and the operators successful track record with minimizing odor impacts on the surrounding areas, the proximity of this facility is not expected to have a measurable impact on the planned subject project.

PLANNED HOMELESS SERVICES FACILITY

On January 21, 2022 the City of Sacramento announced the acquisition of an undeveloped 102-acre property in south Sacramento for a planned homeless services project that could potentially include: safe parking, affordable housing, homeless services and potentially a civic amenity (such as a community park). The subject is located less than ½ mile southwest of this project. The location of the project is identified in the following aerial exhibit.



Several excerpts from the City's Media Release after the acquisition are as follows:

- *City officials said that they envision using a portion of the land in the near term as a place where people living in their cars can safely park and receive services, similar to the Safe Parking Site the City operates on South Front Street south of downtown.*

- *Part of the appeal of the undeveloped property – other than its size and flexibility in usage – is its proximity to two Regional Transit light rail stations, officials said. Both the Morrison Creek Station and the Meadowview Station are within walking distance of the site.*

- *Before any development on the property can occur, the City first will need to vet the various possible land uses. Subsequently, work will begin on establishing infrastructure (including water, sewage and power), financing and partnering opportunities both public and private.*

- *The City will also need to develop plans for public roadway access to the property, which will likely require easements from other organizations.*

The City initially plans to provide access to the site from Meadowview Road to the north, but eventually intends to provide access from Cosumnes River Boulevard due to proximity to light rail stations.

CONCLUSIONS

Given the aforementioned lack of infrastructure and the need to establish land use and services plans, it could take several years for this project to move forward; however, creating a “safe parking” area on portions of the site could occur in the near term given the lack of infrastructure required for this use.

The Stone Beetland property (which lies directly south of this project) and the portions of Delta Shores that are located north of Cosumnes River Boulevard (directly west and southwest of this project) serve as buffers between the project and the subject property. However, given that the City eventually intends to secure access to the project from Cosumnes River Boulevard, future foot and vehicle traffic to and from the project could eventually result in a nuisance factor.

Under a best case scenario, the impact (to the subject property and other nearby surrounding properties) of the planned homeless services project being announced and-or eventually developed as envisioned would be neutral. A more likely impact is that some future buyers and renters could be deterred if or when there is a high degree of development certainty or upon actual development of the project as envisioned.

The potential impacts of this project have been considered in our valuation of the subject.

ABILITY TO PAY

The subject is located in Sacramento County, where the current (2022) conforming/FHA loan limit is $675,050. The subject developers proposed product lines have preliminary pricing ranging from $499,000 to $675,000.

For analysis purposes, we have assumed pricing ranging from $525,000 to $665,000. At these price levels, and using household income figures for Sacramento County, we estimate 44% of total households can afford to purchase the lowest estimated home value and 37% can afford to purchase the highest. The loan rates and maximum qualifying income (40%) below are based on recent quotes from reputable mortgage companies.

ABILITY TO PAY ANALYSIS			
		Min.	**Max.**
Avg. Home Price		$525,000	$650,000
Less: Down Payment	20%	($105,000)	($130,000)
Total Loan Amounts (80% of Price)		$420,000	$520,000
Interest Rate (First)	4.75%		
Term (Years)	30		
Monthly Mortgage Payment		$2,191	$2,713
Monthly Taxes & Insurance as % of Price	1.75%	$766	$948
Total Monthly Housing Payment		$2,957	$3,660
Monthly Housing Payment as % of Income	40%	$7,391	$9,151
Required Annual Household Income		$88,696	$109,814

HOUSEHOLD INCOME CATEGORIES - SACRAMENTO COUNTY			
Averge Home Price		**$525,000**	**$650,000**
Household Income Categories	% of Total	% Afford Subject	
< $15,000	8.5%	-	-
$15,000 - $24,999	7.5%	-	-
$25,000 - $34,999	7.1%	-	-
$35,000 - $49,999	10.8%	-	-
$50,000 - $74,999	16.4%	-	-
$75,000 - $99,999	12.8%	6.4%	--
$100,000 - $124,999	10.3%	10.3%	10.3%
$125,000 - $149,000	7.7%	7.7%	7.7%
$150,000+	19.2%	19.2%	19.2%
	100.0%	43.5%	37.1%
Source: 2021 Claritas Demographics			

As summarized above, roughly 37% to 44% of households within Sacramento County have income levels sufficient to qualify for purchasing homes within the subject project.

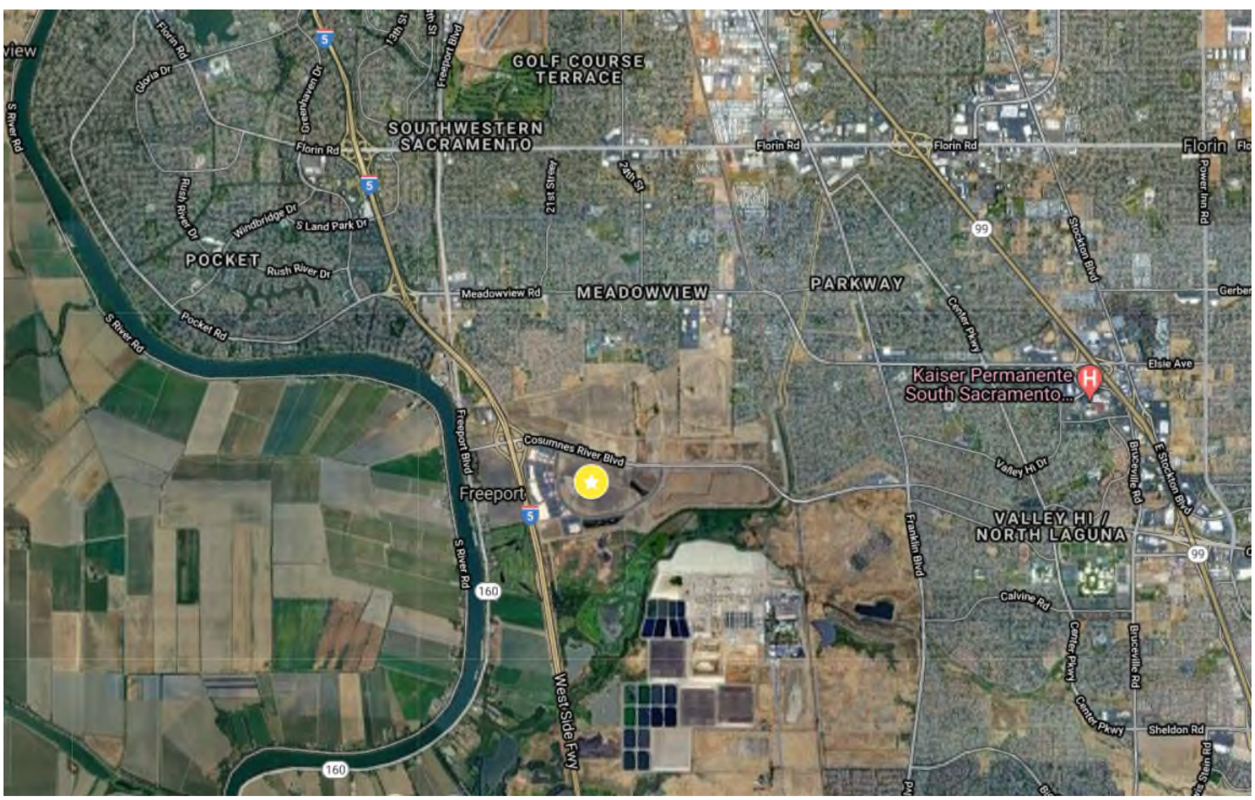
As previously noted, income levels in the immediate subject area (3-mile radius) are lower and roughly 30% to 36% of households would qualify for purchasing homes.

HOUSEHOLD INCOME CATEGORIES - 3 MILE RADIUS OF SUBJECT

Averge Home Price		$525,000	$650,000
Household Income Categories	% of Total	% Afford Subject	
< $15,000	9.4%	-	-
$15,000 - $24,999	7.9%	-	-
$25,000 - $34,999	8.7%	-	-
$35,000 - $49,999	12.4%	-	-
$50,000 - $74,999	18.7%	-	-
$75,000 - $99,999	13.0%	6.5%	--
$100,000 - $124,999	9.7%	9.7%	9.7%
$125,000 - $149,000	6.2%	6.2%	6.2%
$150,000+	14.0%	14.0%	14.0%
	100.0%	36.4%	30.0%

Source: 2021 Claritas Demographics

NEIGHBORHOD MAP



PROPERTY DESCRIPTION

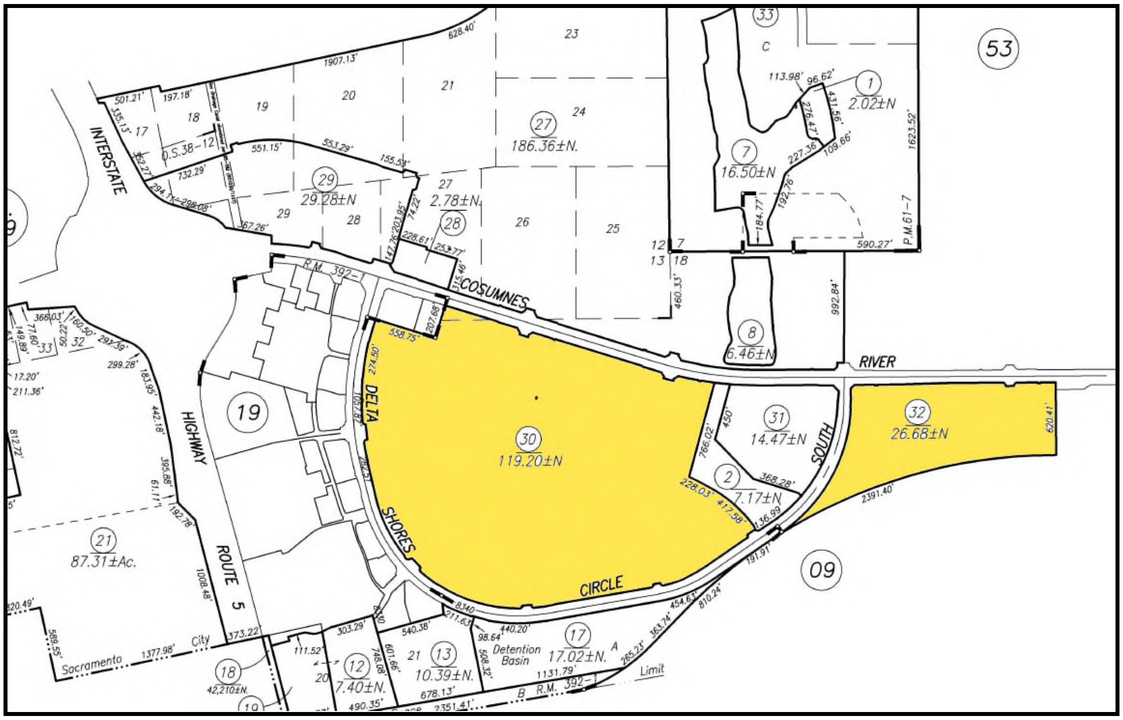
The description of the site is based upon our physical inspection of the property, information available from the client, and public sources.

LOCATION & DESCRIPTION

The subject is located on the south side of Cosumnes River Boulevard, just east of Interstate 5, within the southern portion of the City of Sacramento.

The property is part of the larger Delta Shores development, a master planned community containing 782 acres. The project has entitlements for up to 1.3 million feet of regional retail uses, 5,222 residential units, 144 acres of open space and a mixed use town center of approximately 20 acres. To-date, over 900,000 square feet of the regional retail space has been completed. The subject property represents the initial residential development within the project.

The subject property consists of two parcels of land. These include Assessor Parcel No.'s 053-0180-030 (APN 030) and 053-0180-032 (APN 032). The APN 030 is the development site while APN 032 will be dedicated to the City of Sacramento for part of a regional park. For the following analysis, most of the description concerns APN 030 which is the development site. Below is a map of the two subject parcels.



FRONTAGE/ACCESS

The subject development site has approximately 2,200 feet of frontage along Cosumnes River Boulevard with two planned access points. Cosumnes River Boulevard is a four lane road with curbs, gutters and sidewalls. Delta Shores Circle South loops the southern portion of the property and has four access points. Both frontage roads are fully developed with the remaining infrastructure being a traffic lights to be installed. Sidewalls, streetlights and most perimeter landscaping has been installed.

SHAPE AND DIMENSIONS

The project and perimeter boundary comprise an irregular shape. Based on the overall size and scale of the project, the shape does not adversely affect the project. Site utility based on shape and dimensions is average.

TOPOGRAPHY

The subject has a mostly level terrain with minimal vegetation.

DRAINAGE

A storm drainage system has been constructed to the east of the project. All major drainage for the project is complete. No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that there are not any unusual drainage issues that would affect the development of the subject.

VEGETATION

No vegetation exists for most of the property.

LAND USE PLAN

Land Use Summary - Delta Shores CFD - Improvement Area No. 2						
Lot ID.	Net Acres	Type	No. Lots/Units	Lot Status	Units/Acre	Min. Lot Size
MDR5	14.04	Medium Density	87	Recorded Final Map	6.20	4,000
MDR6	7.52	Medium Density	102	Large Lot Final Map	13.56	1,550
MDR7	8.42	Medium Density	96	Large Lot Final Map	11.40	1,829
MDR8	17.25	Medium Density	136	See Note (1)	7.88	3,116
MU-1	5.48	Mixed-use	125	Large Lot Final Map	22.81	-
HDR6	8.59	High Density	232	Large Lot Final Map	27.01	-
HDR7	6.93	High Density	186	Large Lot Final Map	26.84	-
HDR8	5.89	High Density	159	Large Lot Final Map	26.99	-
HDR9	8.02	High Density	217	Large Lot Final Map	27.06	-
HDR10	8.62	High Density	233	Large Lot Final Map	27.03	-
ES-2	10.01	School	-	Large Lot Final Map	-	-
P-9	6.13	Park	-	Large Lot Final Map	-	-
Roads	12.73		-	Large Lot Final Map	-	-
Regional Park	26.25		-	Large Lot Final Map	-	-
Total	145.88		1,573			
Developable	*90.76*		*1,573*			
*Non-Developable***	*55.12*		-			

(1) MDR-8 (136 total lots) is being processed in two phases. Phase I (MDR-8A, 70 lots) has a ready to record final map; Phase II (MDR-8B, 60 lots) has an approved small lot tentative map.

**Roads, park sites, shool site

Under the original entitlements and CEQA clearance the subject property was approved for up to 1,943 residential units. The land use count of 1,573 units as stated above is the most probable density of the subject according to the developer.

REMAINING OFFSITE IMPROVEMENTS

Off-site infrastructure improvements are substantially complete to serve the property. The remaining off-site improvements include two future traffic signals along Cosumnes River Boulevard, with an estimated cost of $300,000. There is also a fair share contribution (reported by developer at $43,000) required for intersection improvements at Mack Road-Franklin Boulevard and Meadowview Road-Freeport Boulevard.

The total on-site costs are summarized as follows.

Remaining Off-Site Costs		
Street Lights on Cosumnes River Boulevard	$	300,000
Fair Share of Intersection	$	43,000
Total Off-Site Costs	**$**	**343,000**

ON-SITE INTERNAL BACKBONE IMPROVEMENTS

SEWER LIFT STATION AND FORCE MAIN

The developer is required to construct the regional sewer lift station and force main within Improvement Area 2 once the project exceeds 1.2MGD sewer generation threshold. The total cost of these improvements is budgeted at $5,112,250; however, these improvements will also benefit areas outside of Improvement Area 2. The allocation of these sewer related costs to Improvement Area 2 provided by the master developer is $3,000,000.

The developer estimates that the 1.2MGD threshold will not be achieved until 1,400 to 1,600 residential units are completed within the overall Delta Shores project, which will likely be in excess of five years out.

ROADWAY COSTS

There are several main internal roads to the development that will need to be constructed. The developer reported the following costs for these roads.

DELTA SHORES IA2 BACKBONE INFRASTRUCTURE		
Remaining Backbone Costs		
Direct Cost		$12,884,491
Soft Cost	15.0%	$1,932,674
Subtotal		$14,817,165
Plus: Offsite Cost		$43,992
Total Backbone Costs (1)		$14,861,157
Allocation to MDR-5 (1)		$1,255,315
Allocation to Remainder		$13,605,841
Total Backbone Cost		$14,861,157

(1) Based on Cost Share Allocation provided by developer.

The developers projected cost for internal roads (backbone infrastructure) have been relied on in the valuation. It is noted that the costs reported above are the most recent information available as of the effective date (April 1, 2022) and reflect a 16% increase compared to the initial estimate provided in late 2021.

IN-TRACT IMPROVEMENTS – MDR VILLAGES

The master developer provided the following lot development costs that were provided by Signature Homes. <u>It is important to note that the Signature estimates include in-tract costs as well as costs for main internal roads adjacent to the villages</u>. An allocation of in-tract costs only was requested, but was reported to be not available.

MDR VILLAGES - DEVELOPMENT COST (1)							
	Gross	No. Res.	Units/	Typical Lot			Development
Village	Acres	Lots	Acre	Dimensions	Size/SF	Lot Type	Cost/Lot
MDR-5	14.04	87	6.2	50' x 80'	4,000	Traditional	$96,000
MDR-6	7.52	102	13.6	25' x 62'	1,550	Z-Lot Line/Alley Courtyard	$60,000
MDR-7	8.42	96	11.4	31' x 59'	1,829	Alley-Loaded Courtyard	$60,000
MDR-8	17.25	136	7.9	41' x 76'	3,116	Traditional	$61,000
Totals/Averages	47.2	421	8.9	--	2,626	--	$67,762

(1) Estimates by Signature Homes

Given that the lot development cost estimates provided Signature Homes include both in-tract costs as well as costs for adjacent main internal roads, no reliance is placed on these estimates other than as an outlying (high) indicator for in-tract development costs.

In order to estimate in-tract development costs we have assembled cost comparables from various sources. These are listed below.

Cost Comparables - In-Tract Single-Family Lot Development Costs					
Source	Location	No. Lots	Date	Lot Size	Cost Per Lot
Master Planned Community No. 1	Fairfield	567	Yr. - 2020	5,000	$43,264
Master Planned Community No. 2	Sacramento	±1,000	Yr. - 2020	4,500	$44,223
Master Planned Community No. 3	Madera	224	Yr. - 2020	6,000	$33,095
Master Planned Community No. 4 (1)	Rancho Cordova	152	Yr. - 2021	3,200	$54,001
Master Planned Community No. 4 (1)	Rancho Cordova	81	Yr. - 2021	4,500	$67,148
Master Planned Community No. 5 (2)	Elk Grove	122	Yr. - 2021	3,200	$46,000
Master Planned Community No. 5 (2)	Elk Grove	157	Yr. - 2021	4,500	$58,500
Master Planned Community No. 5 (3)	Sacramento	136	Yr. - 2020	2,788	$40,428
Master Planned Community No. 5 (3)	Sacramento	96	Yr. - 2020	3,690	$40,012
Master Planned Community No. 5 (3)	Sacramento	64	Yr. - 2020	4,000	$58,439
Small Subdivision No. 1	Woodland	72	Yr. - 2021	2,500	$46,958
Small Subdivision No. 2	Manteca	68	Yr. - 2022	6,500	$49,423
Average					**$48,458**

(1) Project included 637 total lots (only villages with smallest lot sizes shown here)

(2) Project included over 810 total lots (only villages with smallest lot sizes shown here)

(3) Project included over 819 total lots (only villages with smalles lot sizes shown here)

Based on the following cost comparables we estimate in-tract lot development costs as follows:

MDR VILLAGES - PROJECTED IN-TRACT LOT DEVELOPMENT COSTS				
Village	No. Res. Lots	Lot Size/SF	In-Tract Cost/Lot	Cost/Village
MDR-5	87	4,000	$60,000	$5,220,000
MDR-6	102	1,550	$45,000	$4,590,000
MDR-7	96	1,829	$45,000	$4,320,000
MDR-8	136	3,116	$50,000	$6,800,000
Totals/Averages	**421**	**2,626**	**$49,715**	**$20,930,000**

PERMITS AND FEES

The building an impact fees were obtained from the Updated Finance Plan, Table 7-1. Below are these fees for each land use category.

Building & Impact Fees				
Category	**LDR**	**MDR**	**HDR**	**Mixed Use**
Assumed Unit Size	2,500	1,800	1,000	1,000
Total Fees -Table 701 Finance Plan	$61,552	$49,874	$33,256	$32,905
Less: Credit For Housing Impact Fees	$7,375	$5,310	$2,950	$2,950
Net Fees	$54,177	$44,564	$30,306	$29,955

For purposes of the discounted cash flow analyses employed in the valuation of the MDR villages, permits and fees have been rounded to $45,000 per unit.

PROPOSED CFD TAXES

Land Use Class	Description	Assigned Special Tax
1	Low-Density Residential Property	$1,966 per Unit
2	Medium-Density Residential Property	$1,530 per Unit
3	High-Density Residential Property	$250 per Unit
4	Mixed-Use Residential Property	$250 per Unit
5	Non-Residential Property	$0

The above are the assigned special taxes for the 2021/2022 tax year; the special taxes increase 2% annually.

UTILITIES

All typical public utilities (water, sewer, gas, electricity and phone service) are available to the property. All major utility infrastructure is located at the planned access points along Cosumnes River Boulevard and Delta Shores Circle South. Below are the utility providers for the property:

UTILITIES	
Service	Provider
Water	City of Sacramento
Sewer	Sacramento Regional Sanitation District
Electricity	SMUD
Natural Gas	PG&E
Local Phone & Cable	Various

TRANSPORTATION & LINKAGES

I-5 provides vehicle access to Sacramento's central business district. Public transportation is available from Light rail. The Franklin Station is located one-half mile to the east on Cosumnes River Boulevard. The City of Sacramento is working on the Del Rio trail to connect parts of south Sacramento to existing Sacramento River Bike Trail. The trail would start at the Bill Conlin Sports complex, at Freeport Boulevard. The project has $2.2 million in funding for preliminary engineering, environmental clearance, and final design from the federal Active Transportation Program (ATP), through the Sacramento Area Council of Governments (SACOG), and matching local transportation funds. The total project cost is approximately $16.5 million. The construction phase is anticipated to begin Spring 2022.

ENVIRONMENTAL CONCERNS & HAZARDOUS SUBSTANCES

The subject underwent an extensive environmental assessment as part of the CEQA process. In 2009 the City of Sacramento certified the environmental impact report for Delta Shores. As part of the certification and city resolution, there was an adopted a Mitigation Monitoring Plan (MMP). The EIR, resolution and MMP identified all feasible mitigation that would reduce the impacts of physical changes in the environment caused by the project, and identified the timing of implementation of the mitigation.

In 2021 the developer applied for a grading permit with the City of Sacramento. The Department of Utilities and the Department of Community Development concluded that "rough grading" of the project site could proceed under the various conditions to be imposed. No grading will be permitted, however, unless and until implementation of all mitigation required prior to grading. Implementation of some mitigation is through action (for example, preserving other land for foraging habitat), while in other cases it is through conditions that ensure surveys and reporting (for example, for burrowing owls).

A Delta Shores Mitigation Monitoring Plan Summary dated May 10, 2021 was provided for review. This document indicated a number of completed and on-going mitigations measures being undertaken. A review of this document as well as an interview with the master developer indicated that there are no significant mitigation issues (from a cost or timing perspective) outstanding.

For purposes of this appraisal, we assume that the subject site is not impacted by any significant environmental concerns that would warrant remediation, or otherwise impact the marketability of the property.

EASEMENTS, ENCROACHMENTS & RESTRICTIONS

A preliminary title report prepared by First American Title Company, dated April 14, 2021 was provided for review. The complete title report is provided in the addendum. The title report cites the following ownership.

M & H Realty Partners VI LP, a California Limited Partnership

It is noted that title to MDR-5 was transferred to MHRP / Signature Homes JV I LLC on December 21, 2021, subsequent to the date of the preliminary title report.

The title report lists numerous exceptions and exclusions. These are addressed as follows:

Items 1, 5, 6, 7, 8, 9 & 10: These relate to existing and proposed taxes and assessments. The assessments include the Delta Shores Community Facilities District No. 2019-01. The exceptions regarding taxes and assessments are shown in the Real Estate Tax section of this report and have been considered in the valuation.

Items 2, 3, 4 & 49: These items are noted as having "been intentionally deleted" from the report.

Item 11: This relates to any potential unpaid amounts owed for utilities. This is a non-value impacting exception.

Item 12 thru 20, 28, 29, 30, 33, 34, 35, 37, and 39 thru 46: These relate to various easements for roads and utilities (water, sewer, drainage, electrical, gas, communications, etc.) as well as repair and maintenance of said utilities and public roads. These types of easements are common for larger development tracts and are necessary for development to occur. These easements are considered typical and do not have an adverse impact on value.

Item 21: This relates to relinquishment of abutter's rights to ingress and egress from Interstate 5. This is a non-value impacting exception.

Item 22: This relates to any lease, grant, exception or reservation of minerals or mineral rights. This is a non-value impacting exception.

Item 23: This item relates a 1986 "Contract for Exchange of Real Property". This is a non-value impacting exception.

Item 24: This relates to CC&Rs included in a grant deed recorded in 1990. This is a non-value impacting exception.

Item 25: This relates to a recorded "Release Agreement and Covenant Not to Sue" between the prior owner of the property and the current owner (M&H Realty Partners). This is a non-value impacting exception.

Items 26 &27: These relate to prior recorded documents relating to purchase agreements and amendments. These are non-value impacting exceptions.

Items 31 & 32: These relate to the Development Agreement and Public Improvement Agreement for Delta Shores between the City of Sacramento and M&H Realty Partners VI, LP. These proposed development of the subject conforms with these agreements, which has been considered in the valuation of the subject.

Items 36 & 38: These relate to easements for public utilities and the grantor's waiver of claims for severance damages to the project resulting from construction and maintenance of said public utilities. These are non-value impacting exceptions.

Item 47: This item states that "We find no outstanding voluntary liens of record affecting the subject property." This is a non-value impacting exception.

Item 48: This item states "Water rights, claims or title to water, whether or not shown by the Public Records." This is a non-value impacting exception.

Item 50: This item states "Rights of parties in possession." This is a non-value impacting exception.

Item 51: This item states "Any claim that any portion of the land is or was formerly tidelands and submerged lands within the bed of any tidal slough, creek or river." This is a non-value impacting exception.

Based on our review, the various exception and exclusions to title are considered typical of this property type and location. There were no adverse easements, encroachments, or adverse conditions identified in connection with the subject property.

ZONING, MAPS AND ENTITLEMENTS

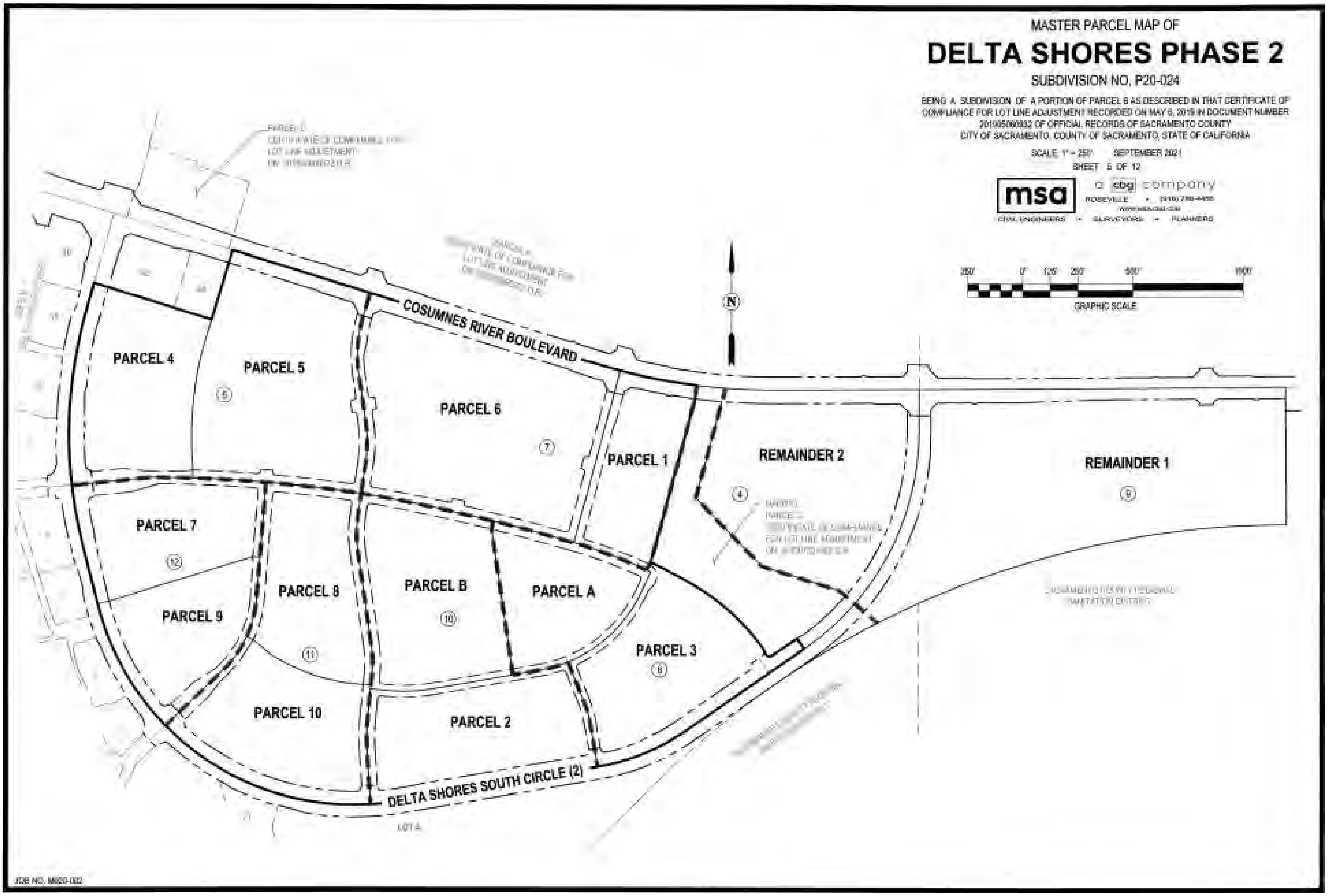
The subject is part of fully entitled and approved project. The major entitlements achieved include: 1) approval of Delta Shores PUD, 2) certification of Environmental Impact Report, 3) an approved Development Agreement, 4) adoption of the Delta Shores Financing Plan, 5) approval of the Mixed-Income Housing strategy, 6) approval of Large Lot Tentative Map as well as other miscellaneous approvals.

The final large lot parcel map is recorded. The subject is identified as Parcels 1 thru 10, Parcels A and B, and Remainder 1 on the Final Master Parcel Map of Delta Shores Phase 2, Subdivision No. P20-024, dated September 2021 and recorded November 19, 2021.

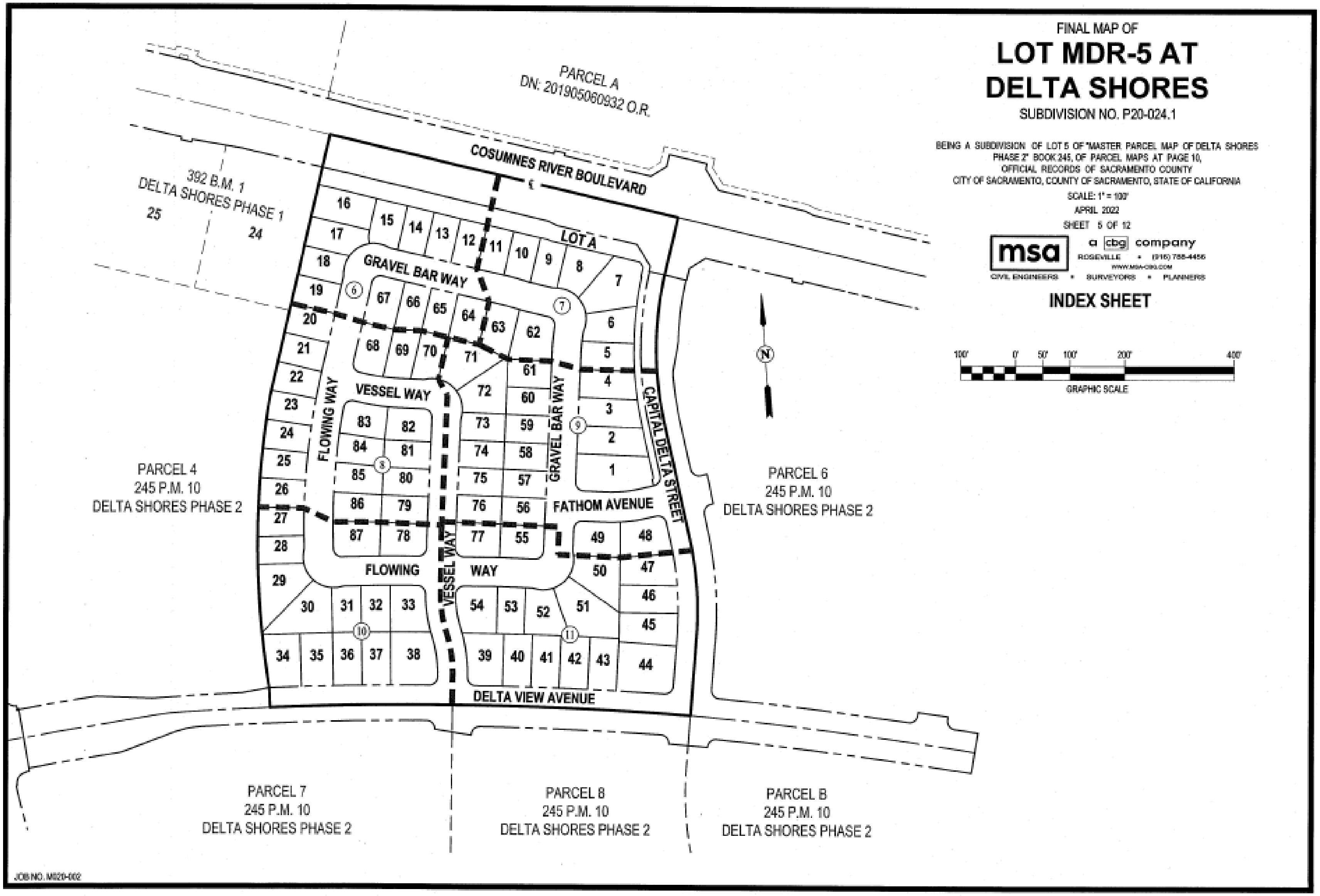
The four medium density village are presently in various stages of map approval. The final map for MDR-5 (87 lots) was recorded May 2, 2022. MDR-8 (136 total lots) is being processed in two phases. MDR-8A (76 lots) has an approved final map that is expected record in mid-May 2022. MDR-8B (60 lots) has an approved (small lot) tentative map. The MDR-8B final map is expected to be recorded in late 2022. Small lot tentative maps are currently in process for MDR-6 (102 lots) and MDR-7 (96 lots) and the developer anticipates tentative map approval in mid-2022 and final maps recording in late 2022. Only moderate remaining costs associated with mapping and engineering are anticipated and we have recognized a moderate cost of $100,000 for these items. The approved and in-process tentative maps are summarized as follows.

Small Lot Subdivsion Maps						
					Minimum Lot	
Lot ID.	Type	No. Lots/Units	Lot Status	Units/Acre	Dimensions	Size
MDR-5	Medium Density	87	Recorded Final Map	6.20	50' x 80'	4,000
MDR-8A	Medium Density	76	Ready to Record Final Map	7.88	41' x 76'	3,116
MDR-8B	Medium Density	60	Approved Tentative Map	7.88	41' x 76'	3,116
MDR-6	Medium Density	102	Tentative Map In Process	13.56	25' x 62'	1,550
MDR-7	Medium Density	96	Tentative Map In Process	11.40	31' x 59'	1,829

The above referenced maps are shown on the following pages.

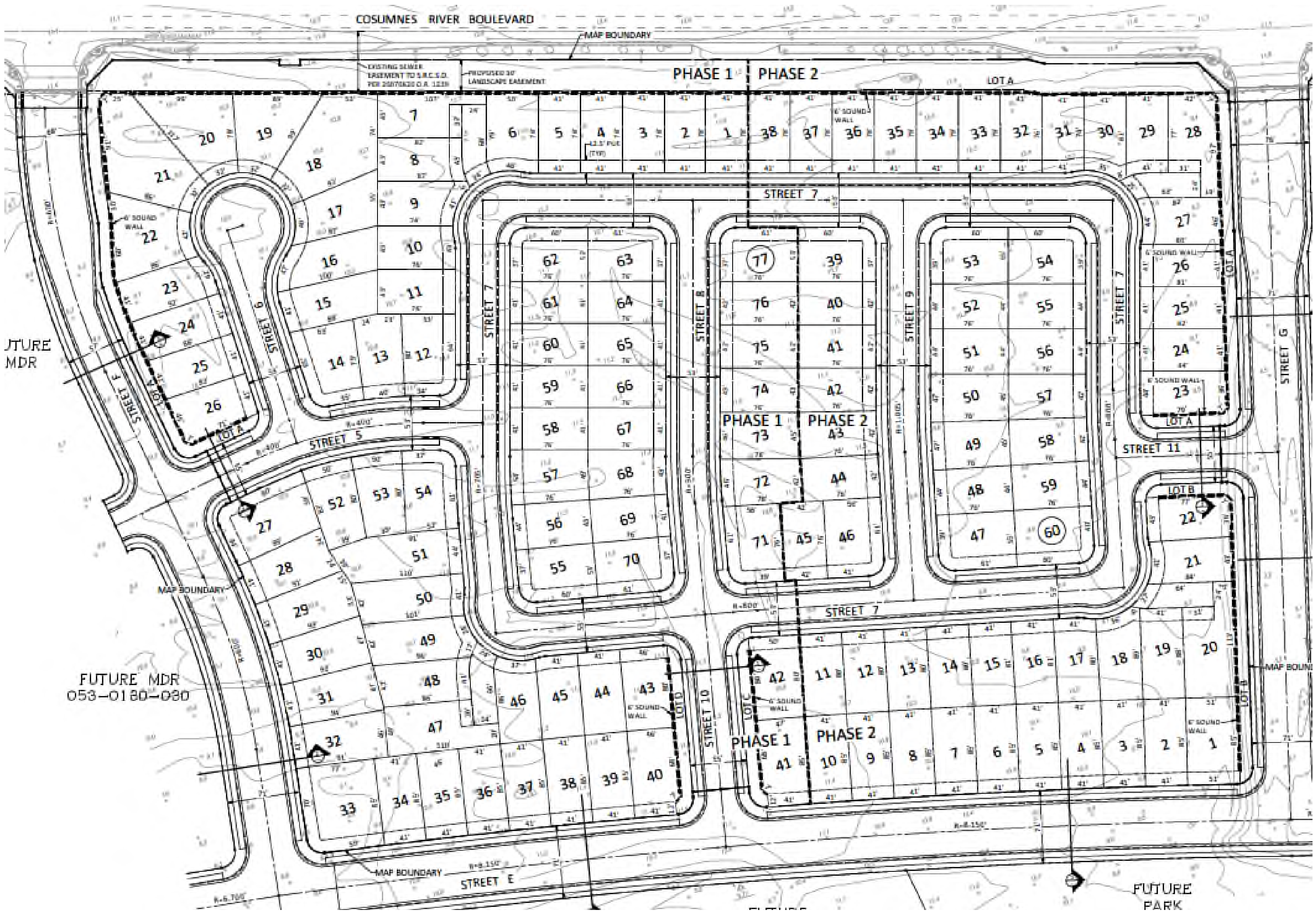


Recorded Final Large Lot Map

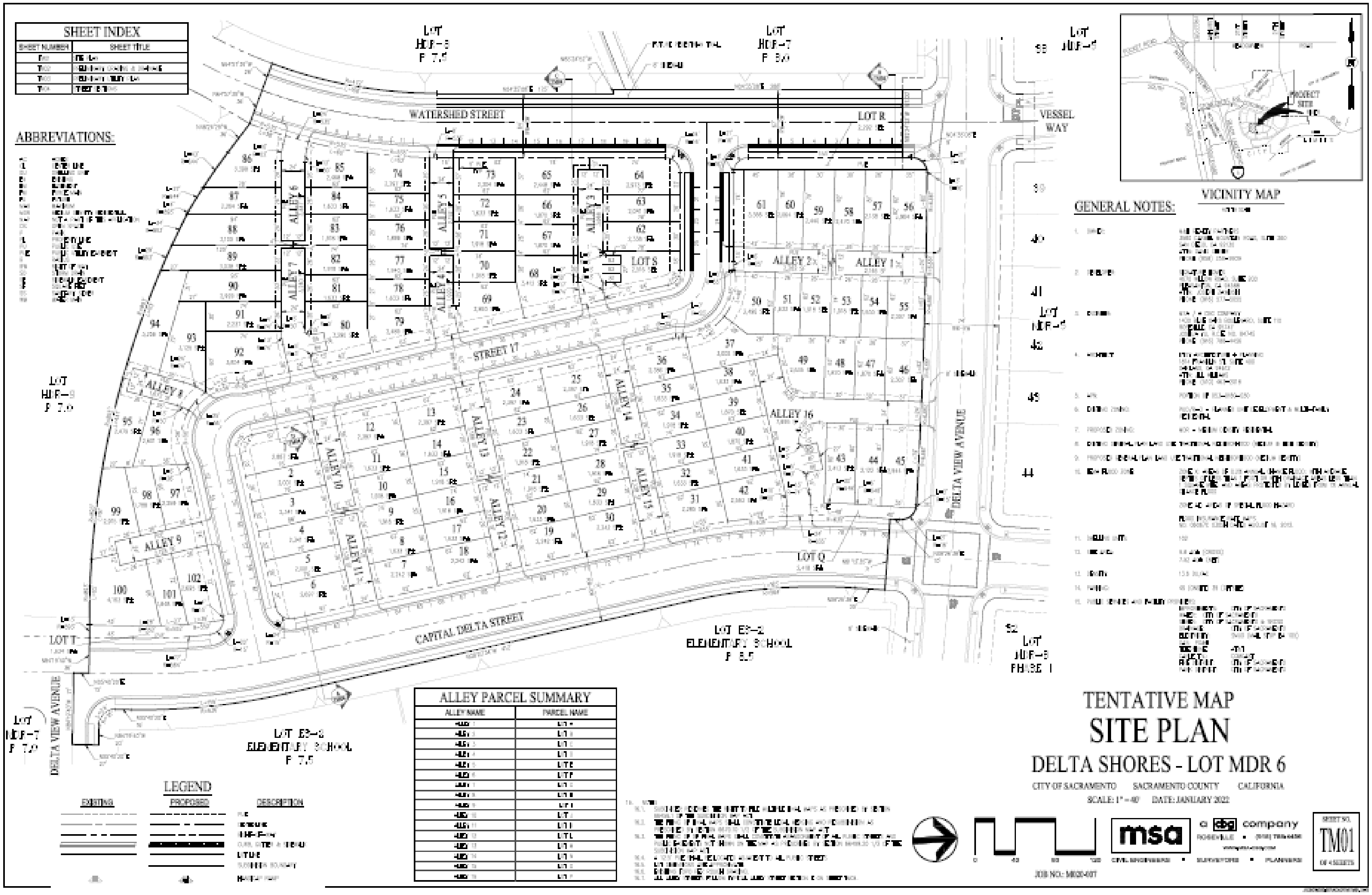


Recorded Final Map – MDR-5 (87 Lots)

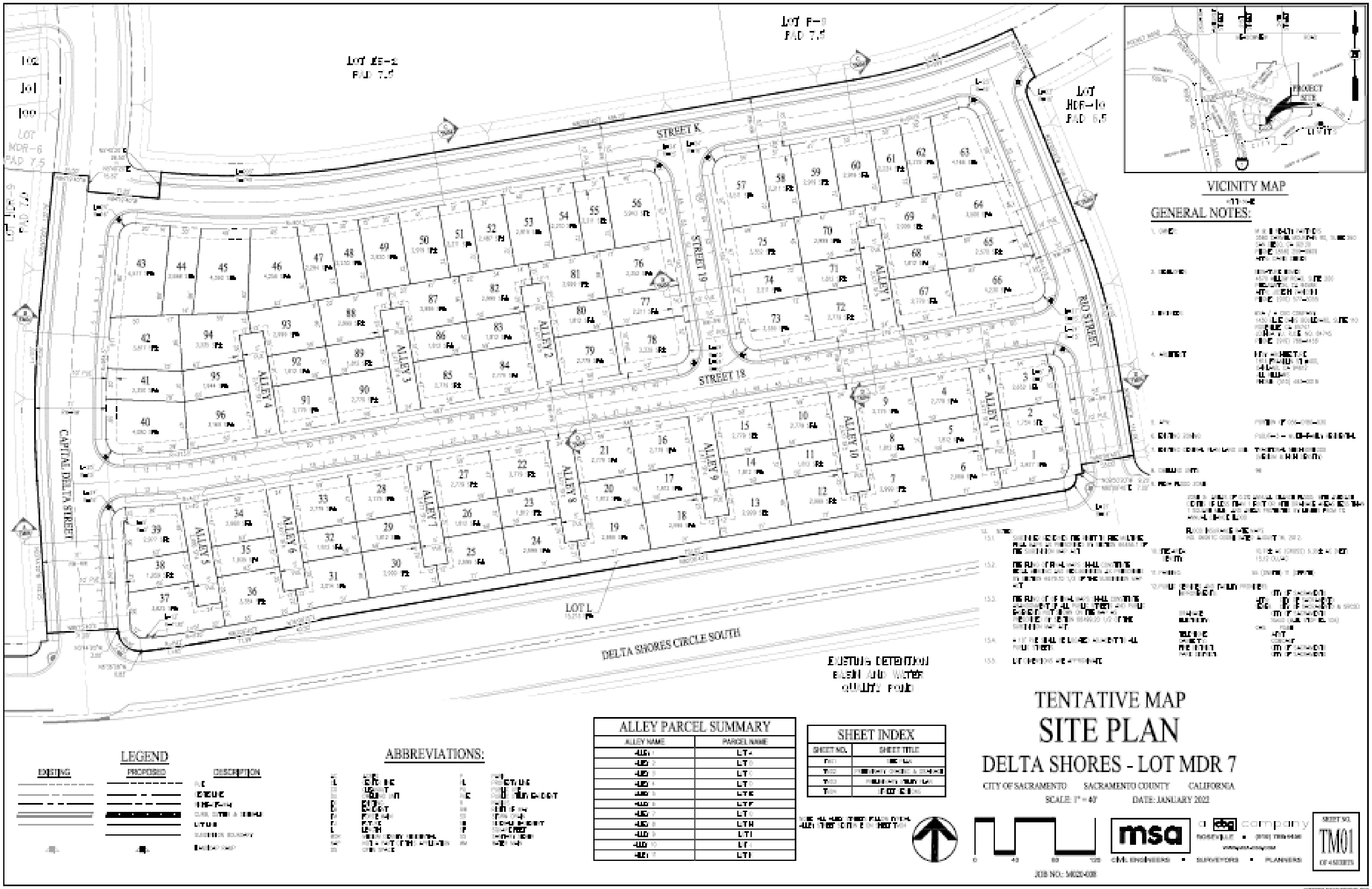
BBG



Small Lot Tentative Map – MDR-8 (136 Lots)



Preliminary Map – MDR-6 (102 Lots)



Preliminary Map – MDR-7 (96 Lots)

ZONING

ZONING SUMMARY	
Zoning Jurisdiction	City of Sacramento
Zoning Designation	R-1A-PUD - Single-Family Alternative; R-3-PUD-Multi-family Dwelling
Description	R-1A: The purpose of the R-1A zone is to permit single-unit or duplex dwellings, whether attached or detached, at a higher density than is permitted in the R-1 zone. Dwellings that have no interior side yards, such as townhouses and rowhouses, are allowed. R-3-PUD: The purpose of the R-3 zone is to accommodate traditional types of apartments. This zone is located outside the central city, serving as a buffer along major streets and near shopping centers. Density up to 30 units per acre.
Legally Conforming?	Yes
Zoning Change Likely?	No
Permitted Uses	Single-Family and Multi-Family Residential on the specified portions

Single-family and multi-family residential are legally permissible, and development as proposed is legally permissible. Under the original entitlements the subject property was approved for 1,943 units. This included 802 single-family lots and 1,141 high density residential lots.

The current land use plan is for 1,573 units. This includes 421 single-family lots and 1,152 high density multi-family units.

The current plan for MDR-5 and MDR-8 is for traditional single-family lots with minimum sizes of roughly 3,116 SF (MDR-8) and 4,000 SF (MDR-5) densities ranging from 6.2 to 7.9 units per acre. The remaining MDR villages (6 & 7) are planned for smaller cluster/zero lot line projects with densities of 11.4 to 13.6 units per acre. The plan for the multi-family units will be traditional for-lease apartments with overall density of 27 units per acre. The plan for the mixed-use parcel is for 125 attached townhome units (density of 22.8 units per acre).

The pending land use plan for the project includes internal park lot of 6.13 acres (P-9) and the dedication of parcel APN 032 for a regional park. This park site will satisfy the Quimby park requirement for the subject project.

The subject will also include an elementary school site of 10.01 acres. The school site is subject to reservation process under the Subdivision Map Act. Under this act, the local school district has up to 2 years to acquire the after completion of the subdivision improvements unless extended by mutual agreement. The purchase price shall be the market value at the time of the filing of the tentative map plus the taxes against such reserved area from the date of the reservation and any other costs incurred by the subdivider in the maintenance of such reserved area, including interest costs incurred on any loan covering such reserved area. If the public agency for whose benefit an area has been reserved does not enter into such a binding agreement, the reservation of such area shall automatically terminate. The subject developer and the Sacramento City Unified School District has not entered into any agreement.

The subject school site will be exempt from special taxes and therefore is not included as a productive land use in our valuation.

AFFORDABLE HOUSING

The project must comply with the City of Sacramento's Housing Element which addresses requirements for affordable housing. This requirement requires either a land dedication, an impact fee or a combination of both. In May 2020 the City of Sacramento approved the project's Mixed Income Housing Strategy. Under this plan a land dedication of 15.89 acres located in improvement Area No. 3 has been set-aside to satisfy the affordable housing requirement. Because of this dedication, builders in the project will be exempt from paying the housing fee of $2.95 per square foot. This fee exemption has been reflected in the overall building and impact fees.

FLOOD HAZARD STATUS

The following table summarizes flood hazard information.

FLOOD HAZARD STATUS	
Community Panel Number	06067C 0305H
Date	August 16, 2012
Zone	X (Shaded)
Description	Within 500-year floodplain
Insurance Required?	No
Comments	Portions of the subject identified to be in Zone AE (within 100-year floodplain) are specifically over agricultural irrigation ditchs that have been filled under the 404 permit (and the existing/adjacent detention basin and water quality pond).

SOIL/SUBSOIL CONDITIONS

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support a variety of uses, including those permitted by zoning.

EARTHQUAKE ZONE

Given the presence of several active faults throughout the State of California, nearly all properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was passed in 1972 in order to regulate development of structures intended for human occupancy on the surface trace of active faults. While the Alquist-Priolo Act only addresses surface rupture risk, the Seismic Hazards Mapping Act, passed in 1990, considers non-surface earthquake hazards, such as liquefaction and landslides. These laws require the State Geologist to establish regulatory zones based on seismic risk, and distribute maps to agencies for affected areas for use in planning and development. Structures cannot be constructed over the trace of a fault, and a setback from the fault is typically required. Properties that are not located within a fault zone, but are at increased risk for seismic damage due to their location within affected cities can be subject to additional government-imposed requirements, such as seismic or soft-story retrofitting, and lenders and/or institutional investors will often require property owners/operators to carry earthquake insurance.

Based on our review of the current Alquist-Priolo Fault Zone and Seismic Hazard Zone Maps, the subject city is not affected by a nearby fault, and the subject property is not within a special studies zone.

HOA

The Master Developer reportedly plans to create an HOA for the MDR component of the subject and provided a fee estimate of $100 per unit monthly.

SCHOOLS

The subject property is located in the Sacramento Unified School District. The school map locator indicates the subject district schools are as follows:

SCHOOLS						
Grade Level	Public School	Grade Level	Distance from Subject	API Score (State Goal of 800)*	2016 Percentile	CSR Rank
Elementary & Middle	John Still	K-8	<1.0 Mile	646	8.5%	1 out of 10
High School	Luther Burbank	9-12	<3.0 Mile	678	32.0%	4 out of 10

Source: School-Ratings.com

*Ranges from 200 to 1,000, with a state goal of 800 for all schools

CONCLUSION – SITE ANALYSIS

Overall, site dimensions, shape, and topography result in average utility. In consideration of site and legal characteristics, the subject is well-suited for residential development (production homes and apartments).

PROPERTY TAX ANALYSIS

PROPERTY TAXES AND ASSESSMENT DATA

Real estate taxes for the subject property are assessed and collected by the County of Sacramento. In 1978, California voters approved the Jarvis-Gann Amendment, popularly known as “Proposition 13”. Proposition 13 abolished the practice of periodic reassessment of properties, based on market value appraisals, and limited increases on assessed values to 2% per year. The only circumstances under which properties are reassessed to current market value are upon a market sale, or completion of new construction or substantial renovation of a property. Ad valorem tax rates are limited to a general rate of 1%, plus the rates needed to service any bonded indebtedness. Voter-approved direct assessments can also be added, and are often related to the installation of infrastructure.

This appraisal assumes a market sale of the subject property, rendering the current total ad valorem tax amount irrelevant to our analysis. In projecting real estate tax expenses for the subject property, we consider the ad valorem tax rate and direct assessments (which include Special Taxes).

Current Assessment and Taxes

TAXES AND ASSESSMENTS - 2021-2022							
	Assessed Value			Taxes and Assessments			
Tax ID	Land	Improvements	Total	Tax Rate	Ad Valorem Taxes	Direct Assessments	Total
053-0180-030	$19,032,839	$0	$19,032,839	1.11670%	$212,540	$15,427	$227,967
053-0180-032	$9	$0	$9	1.11670%	$0	$4,851	$4,851
Total	$19,032,848	$0	$19,032,848	1.11670%	$212,540	$20,278	$232,818

The subject has a valorem tax rate of 1.1167%. In addition, the land and future homes will be subject to special assessments and CFD taxes. Below are the direct assessment estimates for the major land use categories.

Special Taxes and Assessments				
Tax Service	**LDR**	**MDR**	**HDR**	**Mixed Use**
Citywide Landscape & Lighting Assessment Distict [1]	$84	$84	$84	$84
Sacramento Core Library Services Tax [2]	$13	$13	$13	$13
Sacramento Library Services Tax [3]	$34	$34	$34	$34
SAFCA Consolidated Capital Assessment [4]	$137	$103	$76	$76
SAFCA O&M Assessment #1 [5]	$52	$52	$40	$40
Sac Maintenance CFD No. 2014-04 [6]	$466	$366	$221	$222
Maintenance Area #9 [7]	$19	$19	$19	$19
Total Special Taxes and Assessments	**$805**	**$671**	**$487**	**$488**

[1] Landscaping and Lighting Assessment District, City of Sacramento, levied on property owners based on land use, subject to annual adjustment in proportion to the increase in the Consumer Price Index (CPI), San Francisco area, all items, most recently available prior to the date of adjustment. This increase shall not exceed 3% in any year.

[2] This is a parcel tax for library services in the City of Sacramento. A parcel tax for library services is imposed upon every parcel of real property in the City to assist in funding the core library services provided by the City. Core library services include, without limitation, open hours at City libraries, library staff, acquisition of library materials and access to technology.

[3] Sacramento Library Services Tax, City of Sacramento, imposed upon every parcel of real property in the city, subject to annual adjustment in proportion to the increase in the CPI, San Francisco area, all items, most recently available prior to the date adjustment. This increase shall not exceed 3% in any year.

[4] SAFCA (Sacramento Area Flood Control Agency) Consolidated Capital Assessment levied on property owners based on the benefit zone, land use, and building sq. ft., subject to annual recalculation from changes in development activity, zoning, conditional use permits, and lot splits.

[5] SAFCA Operation and Maintenance Assessment for Assessment District No. 1 levied on properties within the district boundaries based on zone type (wet or dry), land use, and parcel size, subject to minimum annual assessment of $1.50 to reflect SAFCA's administration costs and assessment recalculation from changes in development activity, zoning, conditional use permits, and lot splits.

[6] Delta Shores is subject to a maintenance agreement and was annexed into CFD 2014-04. Among other things, the CFD will provide funding for interchange maintenance and landscape maintenance for backbone roadways and extension roads.

[7] Maintenance Area #9, This assessment finances state maintenance of levees on the east side of the Sacramento River.

Real Estate Taxes Per Land Use

Category	LDR	MDR	HDR	Mixed Use
Example Unit Value Net Exemption	$443,000	$388,000	$250,000	$250,000
Assumed Home Size	2,500	1,800	1,000	1,000
Ad Valorem Taxes	1.11670%	1.11670%	1.11670%	1.11670%
Special Taxes and Assessments	$805	$671	$487	$488
Plus: Proposed CFD Taxes (1)	$1,966	$1,530	$250	$250
Total Tax Burden	$7,718	$6,534	$3,529	$3,530
Tax Burden as % of Home Value	1.74%	1.68%	1.41%	1.41%

(1) Updated to reflect Amended and Restated Rate and Method for the district and reflects assigned special tax for 2021/2022. The assigned special taxes escalate 2% annually.

SINGLE-FAMILY MARKET ANALYSIS

The condition of the single-family residential real estate market has a bearing on the economic viability of the subject property. The current condition of the single-family market in terms of inventory, demand and sales performance of residential properties is examined in the following section.

STATEWIDE ANALYSIS – RESALE MARKET

The following are excerpts from California Association of Realtor's October 7, 2021 News Release.

C.A.R. 2022 CALIFORNIA HOUSING MARKET FORECAST

California housing market to remain solid if pandemic is kept under control, but structural challenges will persist.

- Existing, single-family home sales are forecast to total 416,800 units in 2022, a decline of 5.2 percent from 2021's projected pace of 439,800.
- California's median home price is forecast to rise 5.2 percent to $834,400 in 2022, following a projected 20.3 percent increase to $793,100 in 2021.
- Housing affordability is expected to drop to 23 percent next year from a projected 26 percent in 2021.

Supply constraints and higher home prices will bring California home sales down slightly in 2022, but transactions will still post their second highest level in the past five years, according to a housing and economic forecast released today by the California Association of Realtors® (C.A.R.).

The baseline scenario of C.A.R.'s "2022 California Housing Market Forecast" sees a decline in existing single-family home sales of 5.2 percent next year to reach 416,800 units, down from the projected 2021 sales figure of 439,800. The 2021 figure is 6.8 percent higher compared with the pace of 411,900 homes sold in 2020.

The California median home price is forecast to rise 5.2 percent to $834,400 in 2022, following a projected 20.3 percent increase to $793,100 in 2021 from $659,400 in 2020. An imbalance in demand and supply will continue to put upward pressure on prices, but higher interest rates and partial normalization of the mix of sales will likely curb median price growth. Additionally, a shift in housing demand to more affordable areas, as the trend of remote working continues, will also keep prices in check and prevent the statewide median price from rising too fast in 2022.

"A slight decline next year from the torrid sales pace of the past year-and-a-half will be a welcome relief to potential homebuyers who have been pushed out of the market due to high market competition and an extremely low level of homes available for sale," said C.A.R. President Dave Walsh. "Homeownership aspirations remain strong and motivated buyers will have more inventory to choose from. They will also benefit from a favorable lending environment, with the average 30-year fixed rate mortgage remaining below 3.5 percent for most of next year."

C.A.R.'s 2022 forecast projects growth in the U.S. gross domestic product of 4.1 percent in 2022, after a projected gain of 6.0 percent in 2021. With California's 2022 nonfarm job growth rate at 4.6 percent, up from a projected increase of 2.0 percent in 2021, the state's unemployment rate will decrease to 5.8 percent in 2022 from 2021's projected rate of 7.8 percent.

Growing global economic concerns will keep the average for 30-year, fixed mortgage interest rates low at 3.5 percent in 2022, up from 3.0 percent in 2021 and from 3.1 percent in 2020 but will still remain low by historical standards.

"Assuming the pandemic situation can be kept under control next year, the cyclical effects from the latest economic downturn will wane, and a strong recovery will follow," said C.A.R. Vice President and Chief Economist Jordan Levine. "However, structural challenges will reassert themselves as the normalization of the market continues. Demand for homes will continue to outstrip available supply as the economy improves, resulting in higher home prices and slightly lower sales in 2022," Levine continued.

2022 CALIFORNIA HOUSING FORECAST

	2015	2016	2017	2018	2019	2020	2021p	2022f
SFH Resales (000s)	409.4	417.7	424.9	402.6	398.0	411.9	439.8	416.8
% Change	7.00%	2.00%	1.70%	-5.20%	-1.20%	3.50%	6.80%	-5.20%
Median Price ($000s)	$476.3	$502.3	$537.9	$569.5	$592.4	$659.4	$793.1	$834.4
% Change	6.60%	5.40%	7.10%	5.90%	4.00%	11.30%	20.30%	5.20%
Housing Affordability Index*	31%	31%	29%	28%	31%	32%	26%	23%
30-Yr FRM	3.90%	3.60%	4.00%	4.50%	3.90%	3.10%	3.00%	3.50%

p = projected
f = forecast
* = % of households who can afford median-priced home

The following is an excerpts are from California Association of Realtor's April 2022 News Release.

California home sales tick higher in March as statewide median price sets another all-time high, C.A.R. reports

- Housing demand in California remained strong in March as the effects of rising interest rates have yet to be borne out while the statewide median home price sets another record high, primarily due to a surge in sales of higher-priced homes.
- Existing, single-family home sales totaled 426,970 in March on a seasonally adjusted annualized rate, up 0.5 percent from February and down 4.4 percent from March 2021.
- March's statewide median home price was $849,080, up 10.1 percent from February and up 11.9 percent from March 2021.

- Year-to-date statewide home sales were down 7.0 percent in March.

March's sales pace ticked up 0.5 percent on a monthly basis from 424,640 in February and was down 4.4 percent from a year ago, when 446,410 homes were sold on an annualized basis. The year-over-year sales decrease was the ninth straight decline and the smallest in eight months.

"With homes still selling at a rapid clip and more homes selling above asking price than last summer when prices were at record highs, California's housing market continues to perform remarkably well as buyers enter the market to get ahead of rising mortgage interest rates," said C.A.R. President Otto Catrina, a Bay Area real estate broker. "An increase in active listings for the first time since prior to the pandemic should give consumers more options and alleviate some of the upward pressure on home prices, which bodes well for prospective buyers."

California's median home price reached a new record high in March at $849,080, surpassing the previous record of $827,940 set in August 2021 and rising above the $800,000 benchmark for the first time in six months. The March price was 11.9 percent higher than the $758,990 recorded last March. The month-to-month percent change in median price was the highest pace since March 2013, and the 10.1 percent increase from February was the first time in nine years that the monthly price increase was in the double-digits.

A surge in sales at the top end of the market was the primary factor for the jump in the statewide median price at the end of the first quarter. The share of million-dollar home sales increased for the second consecutive month, surging to 32.9 percent in March, the highest level on record. Additionally, strong month-to-month sales growth in the San Francisco Bay Area contributed to the jump in sales of million-dollar homes statewide, as 70 percent of the region's sales were priced above $1 million, and sales in the region increased 70.5 percent from February.

"March sales data continues to suggest strong buying interest and a solid housing market, as the effects of higher mortgage interest rates won't be realized for a few more months," said C.A.R. Vice President and Chief Economist Jordan Levine. "With the Federal Reserve expected to announce two back-to-back half-point interest rate hikes in May and June to combat inflation, interest rates will be elevated for the foreseeable future, adversely affecting housing demand and lowering housing affordability in the coming months, but the effects may not be visible until the second half of the year as many of the homes that are, or will be, closing were negotiated before the sharp increase in rates."

March 2022	Median Sold Price of Existing Single-Family Homes					Sales	
State/Region/County	March 2022	Feb. 2022	March 2021	Price MTM% Chg	Price YTY% Chg	Sales MTM% Chg	Sales YTY% Chg
Calif. Single-family homes	$849,080	$771,270	$758,990	10.1%	11.9%	0.5%	-4.4%
Calif. Condo/Townhomes	$661,000	$640,000	$552,500	3.3%	19.6%	41.8%	-11.4%
Los Angeles Metro Area	$770,000	$725,000	$680,000	6.2%	13.2%	39.4%	-8.7%
Central Coast	$1,050,000	$912,250	$871,840	15.1%	20.4%	29.1%	-20.1%
Central Valley	$495,000	$465,000	$415,000	6.5%	19.3%	35.8%	2.8%
Far North	$395,000	$375,000	$350,000	5.3%	12.9%	34.4%	-7.7%
Inland Empire	$580,000	$551,000	$495,000	5.3%	17.2%	35.0%	-8.2%
San Francisco Bay Area	$1,444,720	$1,335,000	$1,225,000	8.2%	17.9%	70.5%	-2.7%
Southern California	$802,500	$760,000	$705,000	5.6%	13.8%	38.3%	-7.5%
Central Valley							
Fresno	$415,000	$405,000	$350,000	2.5%	18.6%	30.4%	6.3%
Glenn	$320,000	$412,500	$325,000	-22.4%	-1.5%	-15.0%	-37.0%
Kern	$369,750	$370,000	$310,000	-0.1%	19.3%	35.3%	-7.6%
Kings	$325,000	$327,000	$292,500	-0.6%	11.1%	47.4%	-9.7%
Madera	$430,000	$400,000	$365,000	7.5%	17.8%	44.1%	19.6%
Merced	$385,000	$390,000	$318,000	-1.3%	21.1%	66.2%	-16.9%
Placer	$701,730	$675,000	$610,000	4.0%	15.0%	47.3%	-2.9%
Sacramento	$560,000	$541,500	$485,000	3.4%	15.5%	28.3%	4.9%
San Benito	$835,000	$860,000	$765,000	-2.9%	9.2%	21.6%	-15.1%
San Joaquin	$550,000	$505,500	$457,750	8.8%	20.2%	42.6%	10.4%
Stanislaus	$470,500	$452,400	$407,500	4.0%	15.5%	50.2%	9.5%
Tulare	$360,980	$338,000	$306,650	6.8%	17.7%	25.7%	8.2%

Other key points from C.A.R.'s April 2022 resale housing report include:

- At the regional level, home sales in all major California regions, **except the Central Valley** recorded sales decreases on a year-over-year basis. The Central Coast region recorded the sharpest sales decline of all regions again, dropping 20.1 percent from a year ago. Housing demand in the Central Coast region was exceptionally strong last year though with sales climbing 31.8 percent in March 2021, and as such, a sizable dip was anticipated. The Far North had the second largest sales decline at 7.7 percent, followed by Southern California (-7.5

percent) and the San Francisco Bay Area (-2.7 percent). Sales in the Central Valley increased for the second straight month with a year-over-year increase of 2.8 percent.

- At the regional level, home prices in all major California regions continued to surge from last year by double-digits, with four of them reaching a new record high in March. The Central Coast region recorded the highest year-over-year price growth with a 20.4 percent increase, followed by the Central Valley (19.3 percent), the San Francisco Bay Area (17.9 percent), Southern California (13.8 percent), and the Far North (12.9 percent).
- At the county level, home prices continued to increase across the state, with 25 counties setting new record highs in March. Forty-six out of fifty-one counties tracked by C.A.R. experienced increases in their median prices in March, with 38 of them rising more than 10 percent from a year ago.
- The 30-year, fixed-mortgage interest rate averaged 4.17 percent in March, up from 3.08 percent in March 2021, according to Freddie Mac. The five-year, adjustable mortgage interest rate averaged 3.19 percent, compared to 2.78 percent in March 2021.

NEW SINGLE-FAMILY HOUSING TRENDS -SACRAMENTO MSA

The single-family new home market has enjoyed growth over the past decade. Home prices and building trends have been increasing at moderate rates. The following summarizes some of these trends.

BUILDING PERMITS

Below we summarize single-family permits pulled in the area since 2001. Permit levels for Sacramento County and the MSA have consistency trended upward since 2012 levels.

SINGLE-FAMILY BUILDING PERMITS

Year	Sacramento County	Sacramento MSA	% of County Total
2001	7,423	14,719	50%
2002	9,368	17,614	53%
2003	10,556	18,165	58%
2004	10,198	18,523	55%
2005	8,025	16,380	49%
2006	4,369	8,714	50%
2007	3,409	6,924	49%
2008	1,953	3,952	49%
2009	936	2,415	39%
2010	824	2,166	38%
2011	737	1,873	39%
2012	1,231	2,848	43%
2013	1,762	3,539	50%
2014	1,685	3,694	46%
2015	2,261	5,175	44%
2016	2,681	6,135	44%
2017	3,159	6,815	46%
2018	3,578	6,393	56%
2019	3,897	7,184	54%
2020	3,444	7,282	47%
2021	3,963	9,208	43%
Avg. ('01-'21)	4,069	8,082	50%

Source: SOCDS

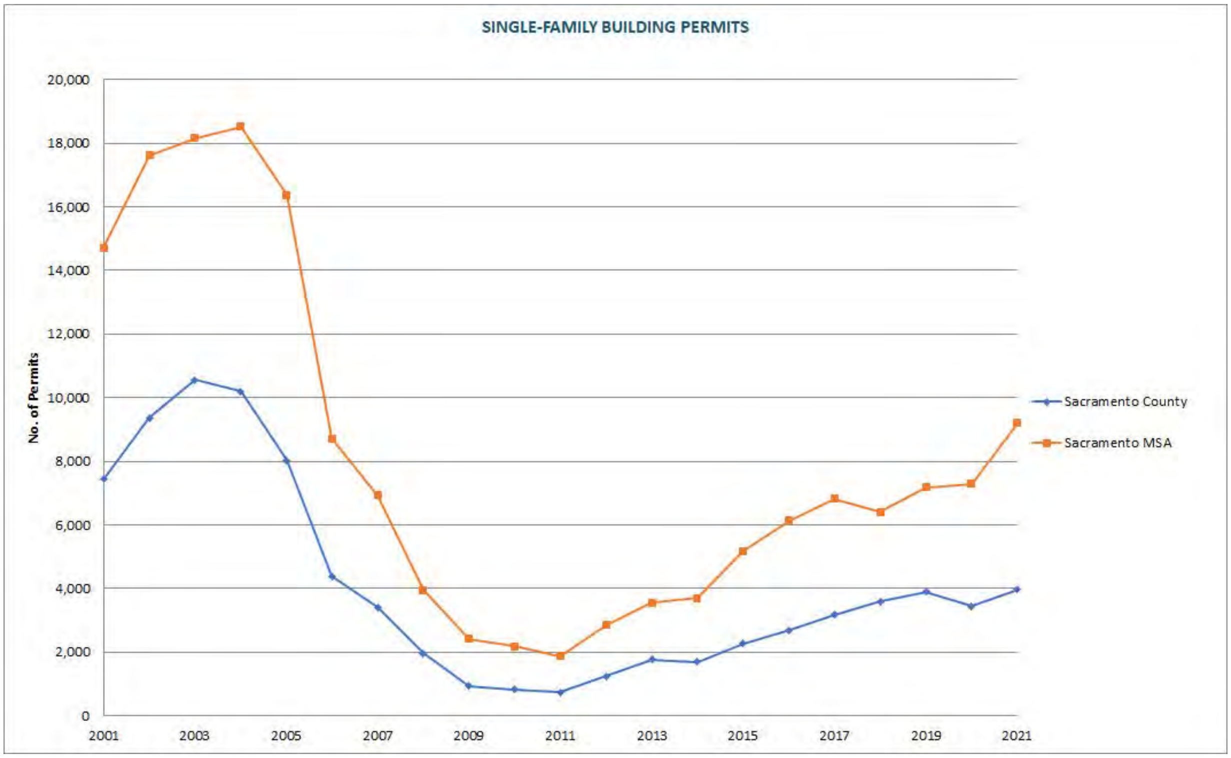
New single-family homes development in Sacramento County and the region have been at consistent growth over the past five years. Sacramento County on averaged 49% of the new homes constructed over 2017-2020.

Reports from the National Association of Home Builders (NAHB) indicate slowing homes sales across the country beginning in April 2021. Affordability factors due to rising construction costs and supply issues were the cited reasons for the softening of sales. They indicate lumber prices skyrocketed in 2020 and early 2021, which caused the price of an average new single-family home to increase by nearly $30,000, or about $13,000 more than in April 2020. Framing lumber prices declined from June to November 2021, but then spiked again in March 2022 before trending downward over the past few months.

The following graphic from provides an overview of the behaviors within the US framing lumber pricing market over the past five years.

NAHB also reports shortages of materials are now more widespread since they began tracking the issue in the 1990s. More than 90% of builders reporting shortages of appliances, framing lumber and OSB. Exactly 90% said there was a shortage of plywood, and nearly as many respondents (87%) said there was a shortage of windows and doors, according to a May 2021 survey for the NAHB/Wells Fargo Housing Market Index (HMI).

SINGLE-FAMILY BUILDING PERMITS - CHARTED



Source: SOCDS

HOMES PRICES AND ABSORPTION – SACRAMENTO MSA

Sacramento MSA - New Housing Trends									
Quarter Ending	Number of Projects	Average Home Size	Average Price	Avg Price/ Avg. SF	% Change Avg. Price / Avg. SF	Quarter Sold	Unsold Inventory	Sold Per Project Per Quarter	Sold Per Project Per Month
18-Mar	164	2,456	$518,834	$211	1.6%	1,448	832	8.8	2.9
18-Jun	170	2,463	$528,450	$215	1.5%	1,514	964	8.9	3.0
18-Sep	174	2,432	$530,625	$218	1.7%	1,290	1,084	7.4	2.5
18-Dec	174	2,394	$526,456	$220	0.8%	982	1,119	5.6	1.9
19-Mar	177	2,361	$522,878	$221	0.7%	1,457	1,253	8.2	2.7
19-Jun	196	2,350	$520,910	$222	0.1%	1,698	1,347	8.7	2.9
19-Sep	203	2,349	$522,595	$222	0.4%	1,428	1,523	7.0	2.3
19-Dec	205	2,370	$532,718	$225	1.0%	1,413	1,422	6.9	2.3
20-Mar	200	2,334	$531,307	$228	1.3%	1,846	1,166	9.2	3.1
20-Jun	189	2,307	$529,263	$229	0.8%	1,333	1,390	7.1	2.4
20-Sep	201	2,298	$541,243	$236	2.6%	2,243	1,129	11.2	3.7
20-Dec	196	2,295	$562,166	$245	3.8%	2,368	727	12.1	4.0
21-Mar	202	2,315	$592,875	$256	4.4%	2,676	438	13.2	4.4
21-Jun	199	2,320	$638,101	$275	6.9%	2,143	433	10.8	3.6
21-Sep	202	2,288	$654,527	$286	3.9%	1,473	708	7.3	2.4
21-Dec	204	2,315	$673,800	$291	1.7%	1,807	701	8.9	3.0
22-Mar	213	2,304	$692,892	$301	3.2%	2,356	652	11.1	3.7

Source: The Gregory Group

Regionally, asking prices and absorption rates for new homes have been escalating consistently since the middle of 2020, with smaller increases in prior years. The COVID affect is responsible for most of this increase as buyers have been relocating to Sacramento from more expensive areas. Higher construction costs has also been a contributing factor.

Over the past year new homes prices have increased 17% for the region. Sacramento County saw asking new home prices increase 21% according to Gregory Group. Relative to other Northern California regions, Sacramento still remains one of the more affordable areas for new home purchases.

Sacramento MSA - New Housing Trends - By County

County	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	% Chg. - last yr	% Chg. - last Qtr
El Dorado County	$746,722	$797,932	$862,550	$867,315	$869,083	16.39%	0.2%
Placer County	$617,645	$668,414	$668,486	$680,245	$701,134	13.52%	3.1%
Sacramento County	$576,774	$629,983	$649,372	$676,673	$697,566	20.94%	3.1%
Yolo County	$614,867	$601,880	$634,332	$648,051	$673,964	9.61%	4.0%
Sutter County	$372,094	$372,094	$426,990	$438,160	$446,160	19.91%	1.8%
Yuba County	$440,120	$483,336	$496,827	$499,122	$515,657	17.16%	3.3%
Region	$592,875	$638,101	$654,527	$673,800	$692,892	16.87%	2.8%

Source: Gregory Group

New home sales for the region in 2020 rose 30% compared to the prior year and were up substantially higher as compared to the last four years. During 2021, new home sales were 4% above 2020 level and A1-2022 sales remained strong despite headwinds of increasing interest rates.

Sacramento MSA - New Housing Absorption Trends - By County

County	2016	2017	2018	2019	2020	2021	2022-Q1
El Dorado County	559	537	328	259	417	358	82
Placer County	1,643	1,866	1,676	1,592	2,300	2,958	881
Sacramento County	2,327	2,540	2,674	3,220	3,885	3,859	1,164
Yolo County	409	464	278	505	670	432	88
Sutter County	27	92	109	92	94	102	39
Yuba County	122	54	169	328	424	390	132
Region	5,087	5,553	5,234	5,996	7,790	8,099	2,386

Source: Gregory Group

Similar to the home building construction data, Sacramento County has seen rising sales volume and are consistently around 50% of all new home sales in the region.

Over the past four quarters the region has achieved average absorption rates between 2.4 to 4.4 sales per month per project. Over the past two quarters these were 3.6 and 2.4 sales per project per month.

For Sacramento County, the absorption rate trends are similar to the region. Sales rates per month for project in Sacramento County ranged from 2.6 to 4.0 over the past four quarters. Over the past two quarters these were 3.3 and 4.0 sales per project per month, which is similar to the region-wide averages.

Sacramento County - New Housing Trends									
Quarter Ending	Number of Projects	Average Home Size	Average Price	Avg Price/ Avg. SF	% Change Avg. Price / Avg. SF	Quarter Sold	Unsold Inventory	Sold Per Project Per Quarter	Sold Per Project Per Month
18-Mar	67	2,166	$461,617	$213	2.2%	697	326	10.4	3.5
18-Jun	73	2,175	$472,414	$217	1.9%	693	391	9.5	3.2
18-Sep	86	2,198	$480,772	$219	0.7%	764	519	8.9	3.0
18-Dec	87	2,196	$479,632	$218	-0.1%	520	609	6.0	2.0
19-Mar	90	2,146	$475,995	$222	1.5%	770	649	8.6	2.9
19-Jun	102	2,174	$481,656	$222	-0.1%	960	647	9.4	3.1
19-Sep	106	2,210	$490,542	$222	0.2%	755	721	7.1	2.4
19-Dec	103	2,256	$506,400	$224	1.1%	735	654	7.1	2.4
20-Mar	102	2,224	$507,203	$228	1.6%	944	592	9.3	3.1
20-Jun	90	2,197	$503,038	$229	0.4%	634	675	7.0	2.3
20-Sep	90	2,173	$510,907	$235	2.6%	1,068	516	11.9	4.0
20-Dec	90	2,184	$543,036	$249	5.4%	1,239	276	13.8	4.6
21-Mar	95	2,217	$576,774	$260	4.4%	1,173	212	12.3	4.1
21-Jun	97	2,249	$629,983	$280	7.1%	1,015	153	10.5	3.5
21-Sep	96	2,226	$649,372	$292	4.0%	747	268	7.8	2.6
21-Dec	93	2,279	$676,673	$297	1.7%	924	223	9.9	3.3
22-Mar	96	2,275	$697,566	$307	3.2%	1,164	260	12.1	4.0

Source: Gregory Group

New home trends for Sacramento County have seen similar trends as the region, with increases in both asking prices and absorption rates.

HOMES PRICES AND ABSORPTION – SUBJECT SUBMARKET

Laguna Submarket - New Housing Trends												
Quarter Ending	Number of Projects	Average Home Size	Average Lot Size	Average Net Price	Net Avg Price/ Avg. SF	% Change Net Avg. Price / Avg. SF	Quarter Sold	Units Planned	Units Offered	Units Unoffered	Sold Per Project Per Quarter	Sold Per Project Per Month
18-Mar	6	2,742	5,563	$509,278	$186	0.3%	55	727	531	196	9.2	3.1
18-Jun	9	2,338	4,708	$463,108	$198	6.2%	96	979	641	338	10.7	3.6
18-Sep	12	2,383	4,890	$480,569	$202	1.8%	84	1,158	774	384	7.0	2.3
18-Dec	15	2,360	4,078	$471,493	$200	-0.9%	76	1,420	861	559	5.1	1.7
19-Mar	16	2,319	3,942	$464,237	$200	0.2%	192	1,605	1,050	555	12.0	4.0
19-Jun	17	2,352	4,710	$471,875	$201	0.2%	224	1,690	1,250	440	13.2	4.4
19-Sep	15	2,374	4,738	$483,917	$204	1.6%	114	1,561	1,215	346	7.6	2.5
19-Dec	19	2,473	5,164	$497,567	$201	-1.3%	104	1,926	1,259	667	5.5	1.8
20-Mar	18	2,480	5,229	$504,509	$203	1.1%	143	1,964	1,376	588	7.9	2.6
20-Jun	14	2,376	4,939	$491,769	$207	1.7%	90	1,431	886	545	6.4	2.1
20-Sep	12	2,406	5,146	$515,157	$214	3.3%	147	1,227	792	435	12.3	4.1
20-Dec	13	2,343	5,103	$532,711	$227	5.8%	165	1,366	932	434	12.7	4.2
21-Mar	13	2,343	5,103	$568,230	$243	6.3%	122	1,503	1,058	445	9.4	3.1
21-Jun	12	2,336	4,935	$617,504	$264	8.3%	102	1,470	1,048	422	8.5	2.8
21-Sep	9	2,323	5,057	$638,420	$275	3.8%	86	1,175	727	448	9.6	3.2
21-Dec	8	2,464	5,464	$692,927	$281	2.3%	90	1,016	650	366	11.3	3.8
22-Mar	8	2,464	5,464	$718,581	$292	3.6%	116	1,016	772	244	14.5	4.8

Source: The Gregory Group

Th information above references averages and totals for the Laguna submarket of which the subject property is located. As of Q1-2022 there were eight active projects having average net home price of $718,581. This is slightly higher than the county wide average of $697,566. Absorption rates have been similar to the region with projects averaging between 2.8 to 4.8 sales per month over the past four quarters and higher rates of 3.8 and 4.8 sales per month over the past two quarters. Asking home prices have been escalating between 2.3% to 8.3% quarterly over the past year. Cumulative appreciation of asking prices in comparison to the year-ago (Q1-2021) level are up by $150,000 per home or 26.5%. The annual escalation is above Sacramento County appreciation rates during the same time period.

Over 2017 - 2020 the Laguna Submarket has achieved annual new sales between 225 to 634 sales annually with an average of 418 sales annually. The submarket capture rate over this period has been 12.9% of all new sales in the County as monitored by the Gregory Group. Below is a summary of the capture rate summary for Laguna, Sacramento and the MSA.

Capture Rate Analysis - New Housing					
Quarter Ending	Laguna Sales	Sac. County Sales	County Capture Rate%	Region Sales	Region Capture Rate %
17-Mar	77	667		1,541	
17-Jun	60	896		1,966	
17-Sep	38	492		1,053	
17-Dec	50	485		1,103	
2017 Total	225	2,540	8.86%	5,663	3.97%
18-Mar	55	697		1,448	
18-Jun	96	693		1,514	
18-Sep	84	764		1,290	
18-Dec	76	520		982	
2018 Total	311	2,674	11.63%	5,234	5.94%
19-Mar	192	770		1,457	
19-Jun	224	960		1,698	
19-Sep	114	755		1,428	
19-Dec	104	735		1,413	
2019 Total	634	3,220	19.69%	5,996	10.57%
20-Mar	143	944		1,846	
20-Jun	90	634		1,333	
20-Sep	147	1,068		2,243	
20-Dec	165	1,239		2,368	
2020 Total	545	3,885	14.03%	7,790	7.00%
21-Mar	122	1,173		2,676	
21-Jun	102	1,015		2,143	
21-Sep	62	747		1,473	
21-Dec	90	924		1,807	
2021 Total	376	3,859	9.74%	8,099	4.64%
Five-Year Average	418	3,236	12.92%	6,556	6.38%

Source: The Gregory Group

The Laguna area (subject included) has a good supply land and lots for the foreseeable future. We expect that the subject submarket will garner a similar capture rate going forward. An estimated capture rate of 13% of county totals is projected for the submarket. On a region-wide basis, the subject sub-market capture rate is estimated to be around 7%.

The Market and Absorption Analysis Report prepared by John Burns Real Estate Consulting (JBREC) reported an estimated annual new homes sales of 8,600 for Sacramento MSA, 4,500 for Sacramento County and 1,350 for the City of Sacramento. Utilizing the capture rate conclusion from above and the JBREC annual estimate, indicates the following projection of annual sales in the subject submarket:

Subject Capture Rate Analysis					
Area	Annual Sales	Laguna Capture Rate	Estimated Laguna Sales	Subject Capture Rate	Potential Annual Subjet Sales
Sacramento County	4,500	13%	585	20%	117
MSA Sales	8,500	7%	595	20%	119

Note: the estimated subject capture rate of 20% relates to capture of Laguna area sales.

As summarized later, the JBREC report projects peak annual sales for the four MDR villages ranging from 149 to 154 units annually during 2024 and 2025 when all four product lines are projected to be actively marketing. The initial year (2023) projection is for 60 sales (MRD-5 & 8 marketing) and the final year is 58 sales (MDR-6, 7 & 8 marketing). Over the four year projected sellout period, the average sales per year equate to 105 units per year. Overall, these projections appear reasonable.

The Laguna sales estimate above is on par with the 2019 & 2020 statistics, which average actuals of 590 sales annually. According to the Gregory Group there are 244 lots unoffered in Laguna. This represents less than one-years of inventory. The Burns Report indicates 3,106 lots available or in the pipeline for West Elk Grove which would be competitive to the subject. Including the subject's initial 421 SFR lots and the Laguna and West Elk Grove inventory, an estimated ±4,000 lots are existing or in the pipeline for the in the south Sacramento County market area. The subject's lot count represents 10.5% of the total lots existing available or in the pipeline.

ACTIVE NEW HOME PROJECTS

The active new home projects, pricing and absorption rates within the Laguna and Elk Grove submarkets are summarized in the following tables.

NEW HOME PROJECTS - LAGUNA SUBMARKET

Project	Builder	Location	Open Date	Lot Size	Type	Plan Size	Net Base Price (Current or At Sell-Out)	Total Planned	Total Sold	Inventory	1Q 22 Sold	4Q 21 Sold	3Q 21 Sold	2Q 21 Sold	1Q 21 Sold	4Q 20 Sold	3Q 20 Sold	2Q 20 Sold	1Q 20 Sold	Total	Mnthly Avg.
Barcelona	Taylor Morrison	Madiera Meadows	12/1/2019	5,750	Traditional	2,127 - 2,782	$714,990 - $764,990	105	103	2	11	14	6	9	7	25	15	1	7	95	3.5
Essentia	Lennar Homes	Sterling Meadows	11/15/2020	4,590	Traditional	1,454 - 2,018	$572,990 - $663,990	139	77	62	13	17	14	11	8	14	-	-	-	77	4.3
Laguna Ranch	Richmond American Homes	Laguna	8/15/2019	5,000	Traditional	1,970 - 3,030	$637,242 - $688,652	81	81	0	-	-	-	6	11	14	17	6	14	68	3.8
Latitudes	Tim Lewis	Monterey Village	5/9/2018	1,800	Zero Lot	1,061 - 1,923	$356,900 - $451,900	159	159	0	-	-	5	3	1	24	29	9	14	85	4.0
Reflections	Tim Lewis	Poppy Ridge	6/1/2021	3,375	Traditional	1,891 - 2,755	$576,900 - 651,900	73	34	39	19	0	9	6	-	-	-	-	-	34	2.8
Seasons	Richmond American Homes	Laguna	7/15/2021	5,700	Traditional	1,590 - 3,040	$674,102 - $767,222	102	51	51	12	15	24	-	-	-	-	-	-	51	5.7
Sevilla	Taylor Morrison	Madiera Meadows	12/1/2019	8,000	Traditional	2,477 - 3,446	$823,990 - $916,990	113	84	29	11	7	8	9	6	13	16	1	9	80	3.0
The Elements	Lennar Homes	Sterling Meadows	9/15/2018	2,500	Detached	1,632 - 2,140	$576,990 - $659,990	290	231	59	32	20	8	14	10	29	0	23	11	147	5.4
Valencia	Taylor Morrison	Madiera Meadows	12/2/2019	8,800	Traditional	2,984 - 4,014	$895,990 -$1,019,990	113	103	10	18	17	8	8	16	8	9	8	5	97	3.6
										Total Quarterly Sales	116	90	82	66	59	127	86	48	60	734	
										No. of Existing Competing Projects	7	7	9	8	7	7	6	6	6	63	
										Pro-Rata Qtrly Sales	16.6	12.9	9.1	8.3	8.4	18.1	14.3	8.0	10.0	11.7	
										Pro-Rata Montly Sales	5.5	4.3	3.0	2.8	2.8	6.0	4.8	2.7	3.3	3.9	

NEW HOME PROJECTS - ELK GROVE SUBMARKET

Project	Builder	Master Plan	Open Date	Lot Size	Type	Plan Size	Net Base Price (Current or At Sell-Out)	Total Planned	Total Sold	Inventory	1Q 22 Sold	4Q 21 Sold	3Q 21 Sold	2Q 21 Sold	1Q 21 Sold	4Q 20 Sold	3Q 20 Sold	2Q 20 Sold	1Q 20 Sold	Total	Mnthly Avg.
Allegro	KB Home	N/A	1/15/2022	2,000	Small Lot	1,846 - 1,981	$571,990 - $593,990	72	24	48	24	-		-	-	-	-	-	-	24	8.0
Antinori	Lennar Homes	Vineyard Creek	10/15/2020	6,000	Traditional	1,454 - 2,018	$551,490 - $635,490	95	75	20	11	17	11	12	8	16	-	-	-	75	4.2
Avila	Lennar Homes	N/A	7/15/2019	6,000	Traditional	2,789 - 3,312	$729,490 - $880,490	134	133	1	14	18	12	14	3	17	13	14	14	119	4.4
Camarillo	Lennar Homes	Fieldstone	5/15/2019	6,000	Traditional	2,510 - 3,512	$738,490 - $892,490	110	110	0	-	6	2	16	2	19	8	9	24	86	3.6
Heritage Vineyard Creek	Lennar Homes	Vineyard Creek	2/8/2017	4,950	Traditional	1,824 - 2,206	$544,990 - $578,990	208	208	0	-	-	3	10	10	18	19	10	13	83	4.0
Oceano	Lennar Homes	N/A	5/15/2019	6,000	Traditional	1,994 - 3,033	$666,490 - 838,490	120	120	0	8	12	6	7	9	15	13	10	15	95	3.5
The Redwood Collection	Lennar Homes	Vineyard Creek	3/15/2015	5,775	Traditional	1,950 - 3,427	$598,490 - $816,990	344	327	17	16	4	13	11	14	14	5	5	9	91	3.4
Traviso	KB Home	N/A	1/15/2022	4,500	Traditional	2,168 - 2,636	$661,990 - $718,990	42	27	15	27	-	-	-	-	-	-	-	-	27	9.0
Winding Meadow Village	Shore Springs Partners	N/A	11/15/2021	2,000	Small Lot	1,404 - 1,668	$477,880 - $506,880	37	15	22	16	-	-	-	-	-	-	-	-	16	5.3
Woodberry	Richmond American Homes	N/A	5/15/2020	4,000	Traditional	1,280 - 2,620	$553,822 - $675,072	202	86	116	0	0	8	6	14	20	25	-	-	73	4.9
										Total Quarterly Sales	116	57	55	76	60	119	83	48	75	689	
										No. of Existing Competing Projects	8	6	7	7	7	7	6	5	5	58	
										Pro-Rata Qtrly Sales	14.5	9.5	7.9	10.9	8.6	17.0	13.8	9.6	15.0	11.9	
										Pro-Rata Montly Sales	4.8	3.2	2.6	3.6	2.9	5.7	4.6	3.2	5.0	4.0	

Source: The Gregory Group

ABSORPTION PROJECTION

During the past four quarters, the currently active projects in Laguna have achieved average absorption rates between 2.8 to 5.5 sales per month, averaging 3.9 sales per month. The average absorption rate of these projects is 4.0 sales per month per project over the past two-years.

The Elk Grove projects indicate similar absorption rates, with averages between 2.6 and 4.8 and averaging 3.6 over the past four quarters and 3.8 per month over the past two years.

The Market and Absorption Analysis Report prepared by John Burns Real Estate Consulting (JBREC) on the subject project projected absorption rates for the four product lines proposed by the developer. Relevant excerpts from the JBREC report are provided in the following section.

Absorption Rates

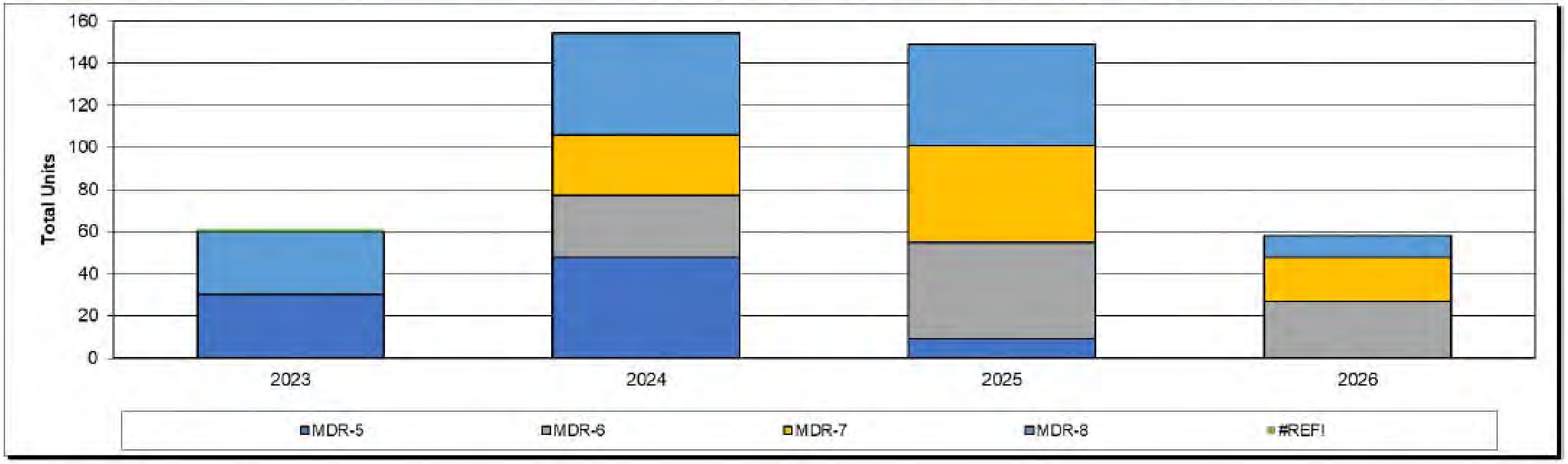
Absorption Rate Estimates

- We believe the Subject's for-sale offerings would absorb at approximately **3.8 to 4.0 units per month per product given** their characteristics, market timing expectations per Developer, and market conditions. These absorption estimates are based on assumed Subject product, pricing, location and masterplan setting, limited regional supply, the performance of new home comparables we surveyed, our experience in the CMA and the wider market, and longer-term new home per project norms in the region. We assume decorated models will be open at (or very near) the inception of sales, that there will be a strong marketing effort with a cohesive MPC brand, and that experienced on-site sales staff will sell Subject homes.
- Note that we assume slightly slower sales rates for MDR-6 and MDR-7. This is given the product characteristics of those product lines that are comparatively unfamiliar to most regional buyers and offer narrow lot configurations. Market introductions for the four detached for-sale product types are staggered with MDR-6 and MDR-7 entering the market one year after MDR-5 and MDR-8 (schedule per Developer). (Note that currently only MDR-5 and half of MDR-8 are under contract by a merchant builder, Signature Homes). This creates a build-out schedule and cumulative community-wide absorption levels that we believe are achievable (see further discussion later in this report).
- Currently, sales rates at new home communities are strong, still augmented by remote working-related demand and bolstered by extraordinarily limited supply of about 0.5 months. Though pricing appreciation slowed during the latter part of 2021, this year brought renewed tremendous appreciation. The Subject as priced will be a comparatively affordable offering in the greater Sacramento new home landscape. Though this price positioning is warranted by the Subject's product and location, its absolute price points will bolster its potential to absorb at levels at least equal to long-term norms.

Build Out – For-Sale

- Per the Subject Developer and their builder partner (Signature Homes), the for-sale component is expected to enter the market in Q2 of 2023. Sales would start with MDR-5 and MDR-8. MDR-6 and MDR-7 would follow with sales beginning Q2 2024. We assume sales start midway in Q2 for each neighborhood. We also assume continuous development of all parcels until units are exhausted. Note that MDR-8 is partitioned into two parcels but it is our understanding MDR-8 would be marketed as a single product type / project. We believe this build-out scenario is prudent and achievable given more or less normal market conditions and the Subject being consistently price positioned as seen in this report (that is, generally toward the bottom of the market for the CMA).
- We would expect parcel sales to merchant builders to be finalized roughly six months prior to market entry (assuming parcels are sold as finished lots). This would translate to late-2022/early-2023 for MDR-5/8, and one year later for MDR-6/7. Selling parcels as paper lots would add approximately 6+ months for lot development plus some indeterminant time for final entitlements.

PRODUCT	Product	Min. Lot Size (SF)	Sales/Mo	Total	2023	2024	2025	2026
MDR-5	SFD 50' x 80'	4,075	4.00	87	30	48	9	
MDR-6	SFD 25' x 62'	1,612	3.80	102		29	46	27
MDR-7	SFD 31' x 59'	2,773	3.80	96		29	46	21
MDR-8	SFD 41' x 76'	3,192	4.00	136	30	48	48	10
TOTALS				421	60	154	149	58



John Burns Real Estate Consulting 27

ABSORPTION CONCLUSIONS – MDR COMPONENT

Home Absorption: The JBREC absorption estimates for **completed homes** within the four MDR villages are generally considered reasonable and appropriately supported. We conclude to absorption rates of 12 units per quarter (4/month) for MDR-5, MDR-8 and MDR-7. A slightly lower rate of nine units per quarter (3/month) is recognized for MDR-6 due to the higher density and somewhat unique product type. These estimates are applied in the subdivision development analyses relative to the finished lot valuations (presented later) for the four MDR villages.

Lot Absorption: The subject will have 421 single-family lots within four villages that range in size from 87 to 136 lots. There is currently robust developer demand for single-family lots and land it is likely that the villages could be sold immediately (within three months or less) if the lots were finished and available today. In order to allow for completion of major roads and in-tracts, we conclude to a two-year absorption of the four MDR villages, with MDR-5 and MDR-8 selling in year one and MDR-6 and MDR-7 selling in year two.

PROJECTED TRENDS, OUTLOOK AND CONCLUSIONS

The region has had a strong economic rebound recovering from the COVID-19 pandemic with solid job growth and income growth projected over the next few years.

In response to inflationary pressures, the Federal Reserve approved a 0.25% interest rate hike in March 2022 and Fed officials indicated an aggressive path ahead, with further rates increases expected at each of the remaining six Fed meetings in 2022. Mortgage-interest rates have responded, and recently spiked to a national average of about 5% for a 30-year fixed rate mortgage. The following excerpt from the JBREC report addressing the current interest rate environment and expected impacts on the housing market.

> ***Mortgage Rates:*** *We project mortgage rates to finish 2022 at an average rate of 4.8% (full calendar year) after recent increases have spiked the national average to about 5.0% at present. We forecast the average rate for 2023 at 4.8%, followed by slight decreases to 4.5% in 2024 and 4.2% for 2025. Though higher than the recent past, these levels are still historically low with a long-term norm of about 6.0%. Mortgage rates have been at 6.0% or even higher during other strong market periods. Though rising inflation and Federal Reserve activity could push up mortgage rates further, builders have a host of tools to respond to this. Builders could incentivize buyers with rate buy-downs or rate locks, shift buyers into adjustable rates (something many buyers are already doing on their own), ease back on lot premium levels, lower home prices, offer higher general incentives, etc. Historically, homebuyers have tended to adjust to rising rates as have builders. Though mortgage rates may slow the market in the near-term and should be monitored, they do not appear to be, at present, cause for alarm. Basic fundamentals of a good economy and very limited housing supply have, to date, maintained strong demand.*

Housing market conditions remain strong, both within the larger Sacramento region, Sacramento County and the subject market area. The Sacramento region took a severe dip in the beginning of the COVID-19 pandemic but bounced back with surprising speed. New home prices increased by over 20% between Q3-2020 and Q3-2021 both within the region and submarket. During the 4th quarter 2021 and the 1st quarter 2022, home price continued to escalate, with appreciate totaling 5.9% for the region and 7.4% for Sacramento County over a six month period. Comparable new home projects in the Subject CMA (defined as southern Sacramento and western Elk Grove west of Highway 99) are relatively limited. These projects are generally performing well, although price increases have slowed from earlier this year.

We project continued strong demand in the Sacramento region, although price growth is expected to level off given recent increases in mortgage interest rates. Affordability is increasingly a concern, but the market will be bolstered by limited supply, continued in-state in-migration, and solid economic fundamentals.

MULTI-FAMILY MARKET ANALYSIS

Costar is the source for the following data. The data reflects conditions of 2022-Q1, the most recent data available. The initial discussion provides information on the overall Sacramento Multi-Family market, followed by the subject's submarket, which will be discussed later in this report.

Costar rates multi-family properties using a star rating, in which 1 and 2-star properties generally equate to the more traditional Class C rating; 3-star properties generally equate to Class B; and 4 and 5-star properties generally equate to Class A.

SACRAMENTO (MSA) APARTMENT MARKET

Key apartment market statistics and five-year projections are summarized in the following table.

APARTMENT MARKET TRENDS AND PROJECTIONS - SACRAMENTO MSA									
Period	Vacancy Rate	Avg Asking Rent/Unit	Annual Rent Growth	Inventory Units	Under Constr Units	Under Constr % of Inventory	12 Mo Absorp Units	Avg Sale Price/Unit	Market Cap Rate
2026	4.7%	$2,152	2.9%	141,076	-	-	406	$305,578	4.6%
2025	4.4%	$2,092	3.6%	140,122	-	-	417	$298,794	4.6%
2024	4.5%	$2,019	4.3%	139,826	-	-	791	$289,891	4.6%
2023	4.5%	$1,936	5.8%	139,057	-	-	1,202	$280,191	4.5%
2022	3.8%	$1,830	7.7%	136,812	-	-	1,905	$267,079	4.5%
2022-Q1	**4.2%**	**$1,741**	**9.9%**	**133,863**	**4,448**	**3.3%**	**1,326**	**$262,086**	**4.4%**
2021	3.8%	$1,713	11.3%	133,455	4,809	3.6%	1,717	$254,313	4.4%
2020	4.0%	$1,528	6.4%	133,189	4,114	3.1%	2,988	$222,097	4.5%
2019	5.2%	$1,436	4.0%	131,708	1,991	1.5%	790	$199,408	4.8%
2018	4.5%	$1,380	4.9%	129,924	2,678	2.1%	909	$177,975	5.1%
2017	4.2%	$1,316	6.6%	128,660	2,702	2.1%	270	$157,380	5.3%
2016	3.9%	$1,234	8.1%	127,948	1,117	0.9%	504	$143,300	5.6%
2015	4.2%	$1,142	9.2%	127,789	996	0.8%	1,118	$131,336	5.7%
2014	4.8%	$1,045	4.3%	127,440	437	0.3%	1,006	$118,276	6.0%
2013	5.3%	$1,002	2.8%	127,118	711	0.6%	1,588	$109,684	6.2%
2012	6.6%	$975	1.6%	127,138	256	0.2%	(5)	$108,382	6.2%
2011	6.6%	$960	1.2%	127,178	193	0.2%	(161)	$108,656	6.1%

KEY TAKEAWAYS

- The Sacramento apartment market has experienced increased demand due to stronger in-migration from the Bay Area (and other coastal markets) during the Covid-19 pandemic, as increased teleworking prompted employees to relocate to more affordable and suburban areas.
- The Sacramento apartment market has maintained consistently positive rental growth, low vacancy rates and healthy net absorption.
- New construction is at a decade high level, but demand remains strong. Vacancy and rents are not expected to be impacted due to supply drive pressure.
- Robust market fundamentals and growing investor interest continue to place upward pressure on pricing and downward pressure on capitalization rates.

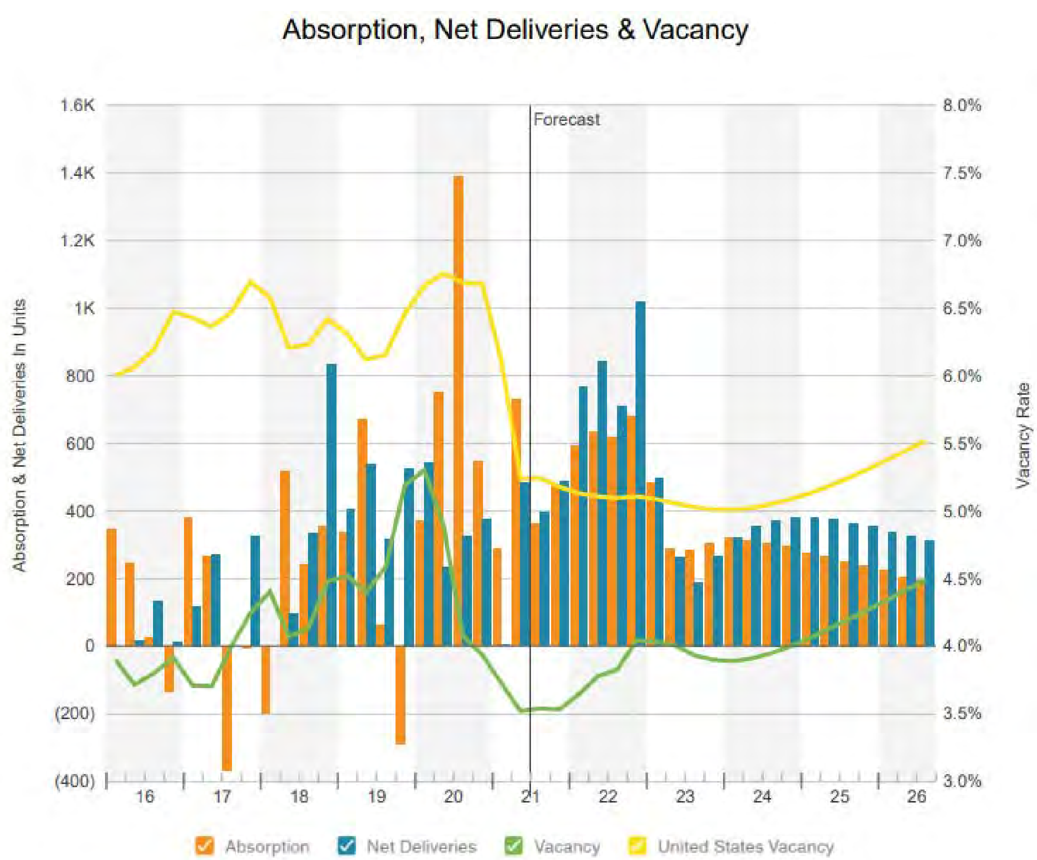
OVERVIEW

Sacramento multifamily vacancies have fallen to an all-time low of near 4% in 2021. As in the wider U.S., metro unemployment remains elevated, but with many office-using employees having returned to work and strong demand stemming from inbound Bay Area residents, demand remains elevated. This is particularly true in pricier, suburban markets with large units and areas with an abundance of affordable inventory.

The construction pipeline has risen to an all-time peak, with 4,800 units underway. However, this figure is modest compared to the size of the market and accounts for only 3.6% of growth. Construction activity has largely been concentrated Downtown and in affluent suburban cities like Elk Grove, Folsom, Roseville, and Rocklin.

Thanks to new jobs, strong net migration, and rapidly rising home prices, rent growth has been a dominant market theme for many years. Over the past decade, the average apartment rent in Sacramento has increased 77.3%, with 11.9% coming in the last 12 months.

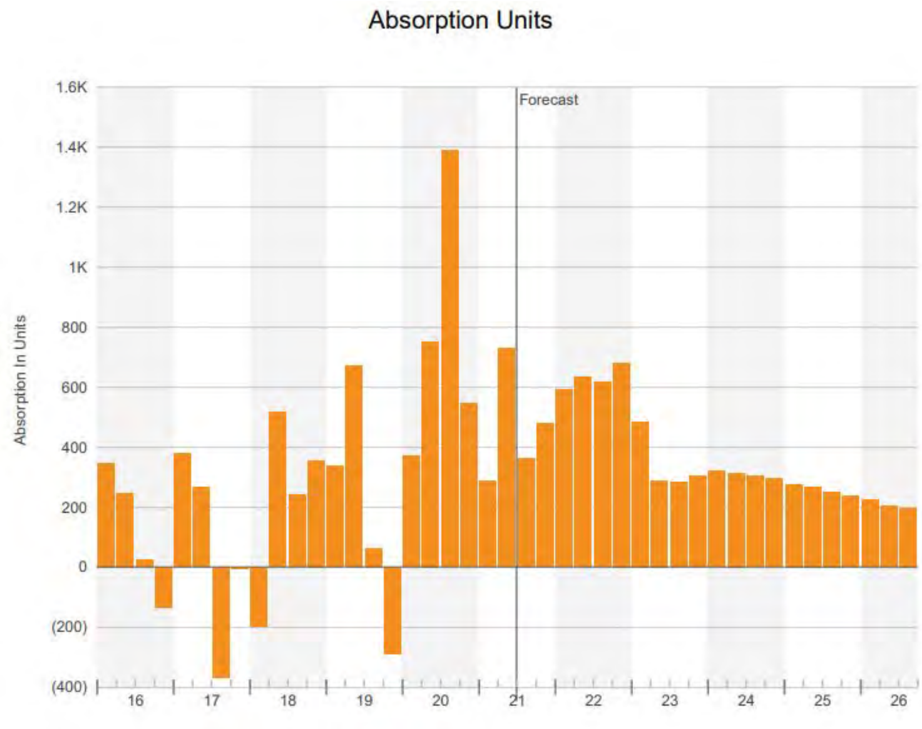
With limited supply and rapidly rising rents, investor interest has soared. Deal flow in 2021 is on pace to surpass last year's modest figure. Class A & B communities typically dominate metro sales, often trading at a significant premium over their prior purchase prices.



ABSORPTION

The market experienced record absorption (±3,000 units) during 2020 and ±1,700 units in 2021.

Historical and projected net absorption trends are shown in the following graph.



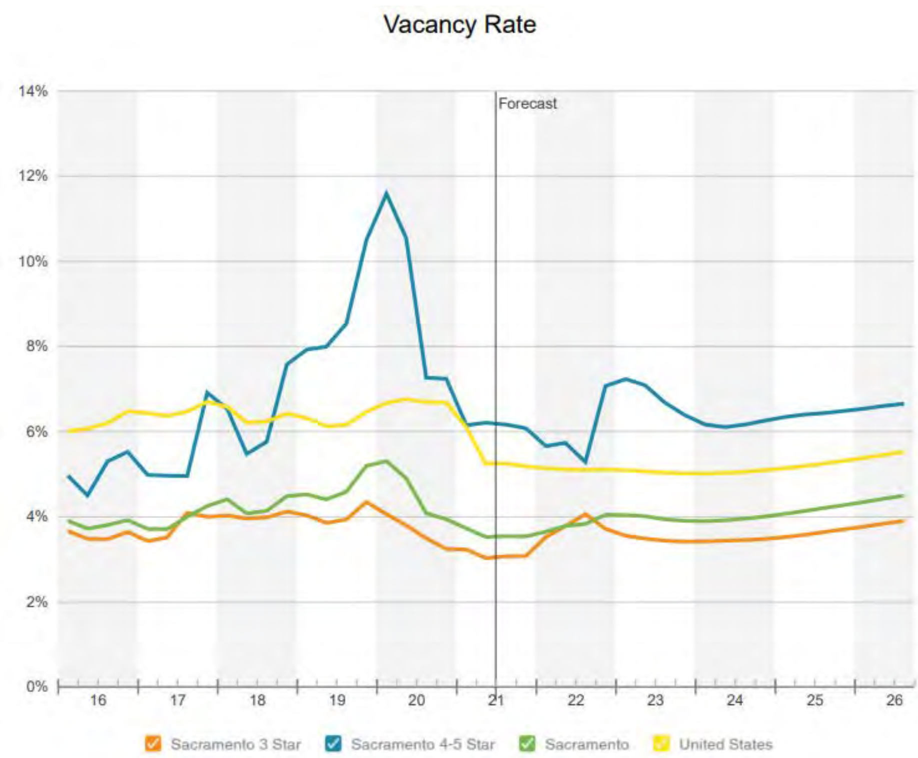
VACANCY

Sacramento's apartment market began 2021 with vacancies falling to an all-time metro low and the vacancy rate has further declined to 3.5% in 21Q3. The previous trough, of 3.8%, had stood since 2000. At year-end, the vacancy rate stood at 3.8% and increased slightly (to 4.2%) during Q1-2022.

A lack of new construction, population growth that was nearly double the U.S. norm, and a solid economy propelled significant occupancy gains over the past decade. Furthermore, after the onset of the coronavirus pandemic and ensuing recession, demand soared to almost unprecedented levels, and it remained strong in the new year. California's eviction moratorium, stimulus checks, and enhanced unemployment benefits may have initially buttressed occupancy, but interest in both cheaper submarkets and suburban areas with larger units have helped push vacancies lower.

Looking ahead, near-term demand is expected to remain healthy; an end to the pandemic will conclude the eviction moratorium and bring back jobs but little to remedy the supply shortage. Lack of inventory in the market combined with consistent levels of demand will continue to put significant upward pressure on lease rates. One trend to watch is how sticky the market will remain as Bay Area residents who relocated to the region with an eye toward working from home may be asked to return to the office. While there is a near-record level of construction in the market, it only accounts for 4.3% of total inventory, with the first projects completing at the end of 2021 and the bulk of units are projected to deliver in 2022 and 2023.

Historical and projected vacancy rate trends are shown in the following graph.



RENTAL RATES

Sacramento apartment rents continue to soar with gains of 11.3% during 2021. Rents declined at the start of the pandemic before staging a remarkable comeback, ranking in the top 20 for annual rent growth as of year-end 2021.

Population growth has been the biggest demand driver of late. According to recently released Census data, Sacramento, Yolo, and Placer have had population growth that has exceeded increases in housing inventory over the last ten years. More recently, net migration from the Bay Area has been a major factor as individuals look to capitalize on their employer's more lenient work-from-home policies and relocate to the region.

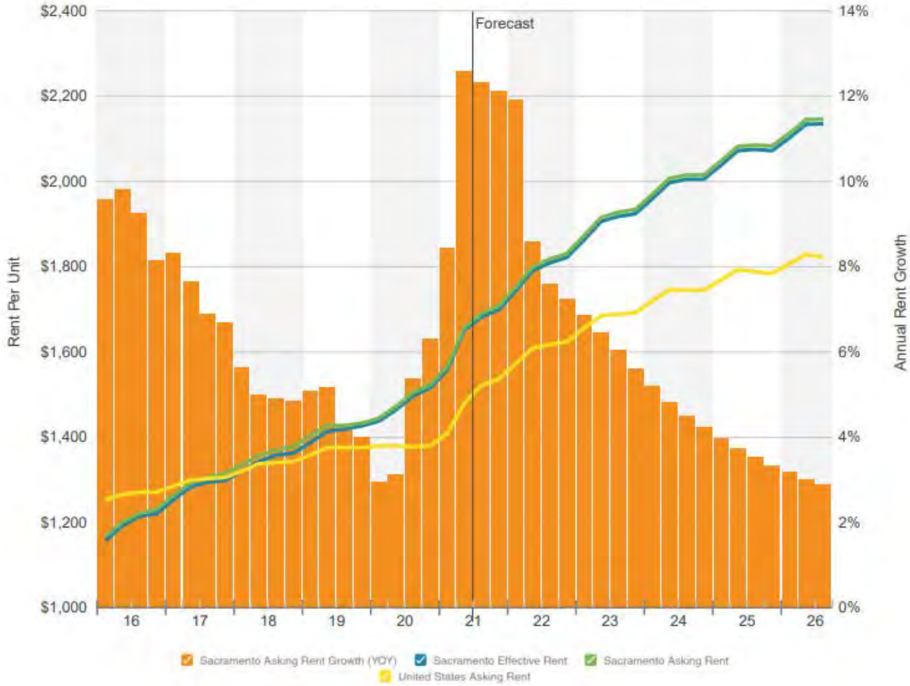
The desire to acquire more space while lowering costs has led to significant rent growth in the suburbs. Sacramento's more affluent suburbs like Roseville/Rocklin and Folsom offer relocating tenants more space, easy access to retail and other amenities, and high quality of life at a much lower price point. As a result, rent growth in both markets has exceeded 20% over the last year.

While downtown rents have also increased, they have been more significantly impacted by the pandemic. They have seen less demand from out-of-market tenants as pricing is typically higher and average square footage is lower. Also, with neighboring retail establishments closed for much of the last 24 months, the properties lack some or many or the surrounding amenities that help to command a higher price point.

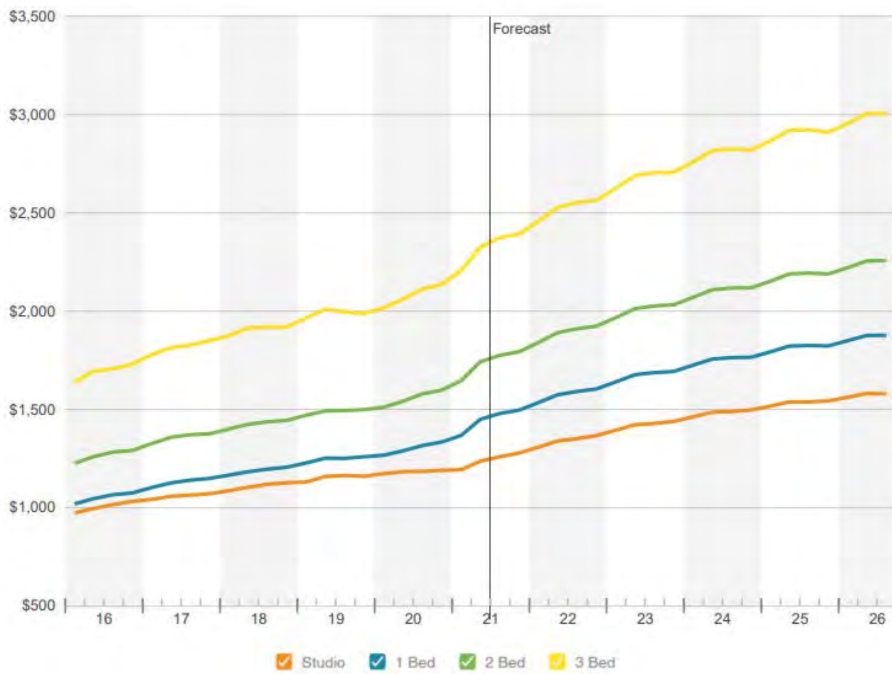
There is little reason to think trends will change in the short term. Supply remains constrained and while there are 5,800 units currently under construction that number is only 4.3% of total market inventory. Given high levels of demand in the region, new inventory will likely have limited impact on rent growth.

Historical and projected rent growth are shown in the following graphs.

Market Rent Per Unit & Rent Growth



Market Rent Per Unit By Bedroom



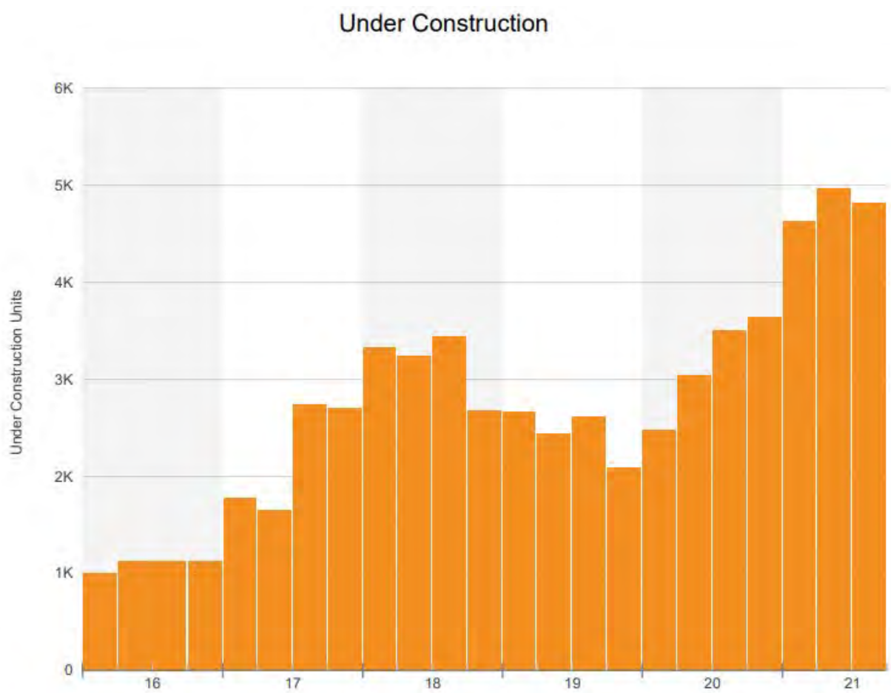
INVENTORY & CONSTRUCTION

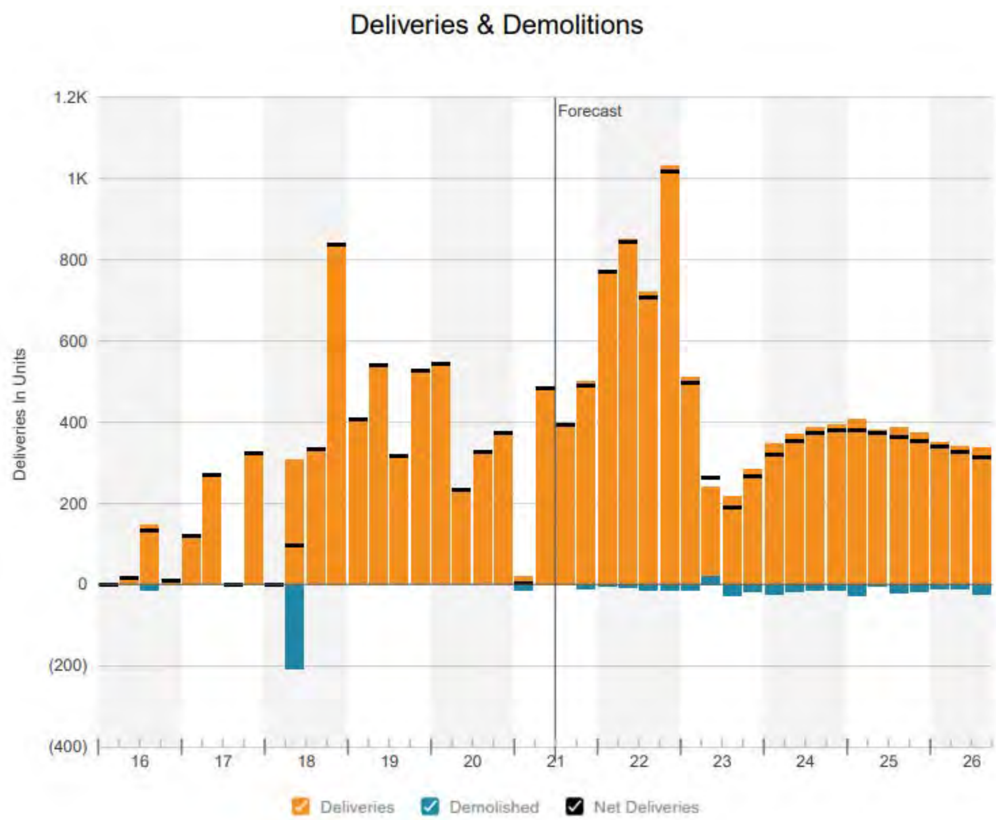
Sacramento's development pipeline has grown steadily over the past few years and is currently near a post-Great Recession peak, with 4,500 units under construction. However, even with new units breaking ground consistently, construction will only add 3.3% to total market inventory.

While rent growth has largely been concentrated in the suburbs, development has been focused around the urban core, with 18 properties and nearly 3,800 units underway within two miles of Downtown Sacramento. However, there is also significant activity in the suburbs, specifically Roseville/Rocklin and Folsom, with six properties and approximately 1,000 units under construction.

High construction costs, lengthy and difficult approval processes, and uncertainty of demand to support high-end rents have deterred many developers. Before breaking ground, entitlement costs for apartment projects often could reach $50,000/unit, depending on a number of factors. Those entitlement costs were only slightly less than the average price per unit for existing product in Sacramento from 2010–13. As a result, construction in the past decade was largely confined to Class A projects in the metro's more affluent areas, which greatly contributed to the region's current housing shortage.

Historical and projected construction trends are shown in the following graphs.

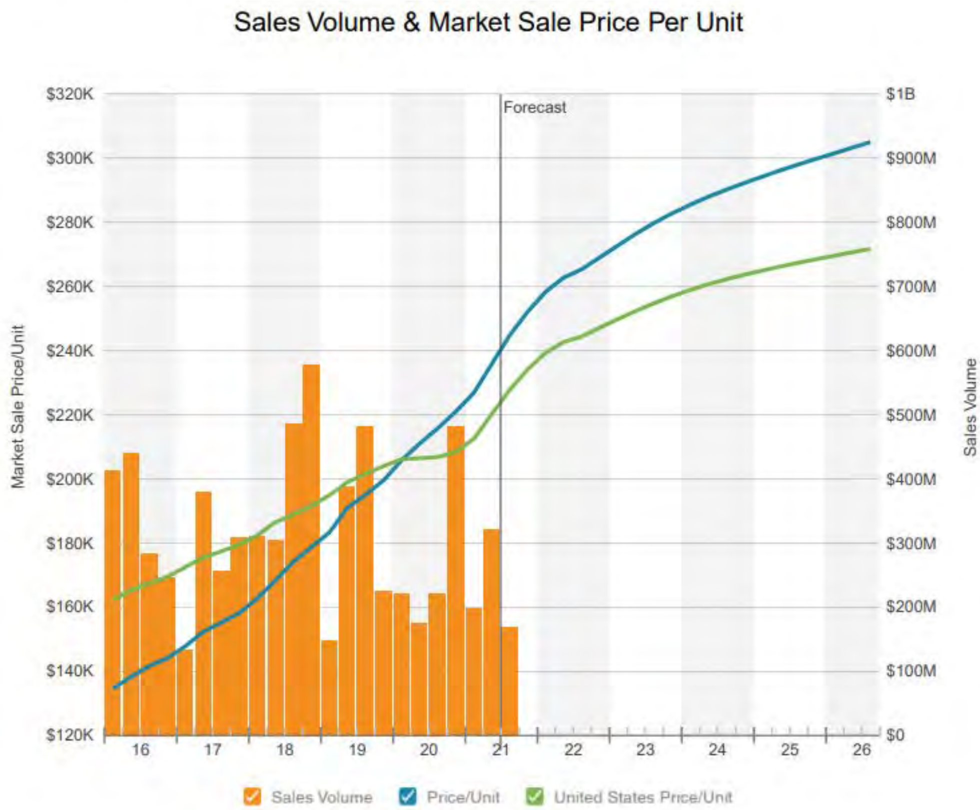




SALES & CAPITALIZATION RATES

Since a slow start to 2020, Sacramento multifamily investment market has returned to form. Annual sales volume reached $1.5 billion with $115 million occurring in the current quarter. The market cap rate has been falling as well, currently resting at 4.4%, well below the three-year average of 4.7%. Investors have been driven to Sacramento for some time as a top national market for rent growth, reaching 10% over the last year, and while construction is near a record high of 4,500 units, that comprises only a 3.3% increase in market inventory, leaving significant housing demand remaining. While much of the market's activity has been concentrated in Class A & B properties, there have been a number of significant transactions in the rest of the market.

While deal flow has picked up in 2021 relative to 2020, average pricing has accelerated as well, reaching $254,000 in 2021, well above the three-year average of $225,000. As of Q1-2002, the average transactional price rose to $262,000/unit, the highest figure on record. Assets have been rapidly appreciating for some time as in 2016, the average transactional price was only$143,000/unit, making the average increase in value near 80% over the last five years.


Sales Volume & Market Sale Price Per Unit
Forecast
$320K
$300K
$280K
$260K
$240K
$220K
$200K
$180K
$160K
$140K
$120K
Market Sale Price/Unit
$1B
$900M
$800M
$700M
$600M
$500M
$400M
$300M
$200M
$100M
$0
Sales Volume
16
17
18
19
20
21
22
23
24
25
26
Sales Volume
Price/Unit
United States Price/Unit


Market Cap Rate
Forecast
6.2%
6.0%
5.8%
5.6%
5.4%
5.2%
5.0%
4.8%
4.6%
4.4%
4.2%
4.0%
16
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18
19
20
21
22
23
24
25
26
Sacramento 3 Star
Sacramento 4-5 Star
Sacramento
United States

BBG

MAJOR APARTMENT SALES – SACRAMENTO REGION

The following table summarizes recent major sale transactions.

MAJOR APARTMENT SALE TRANSACTIONS - SACRAMENTO MSA						
Project	Yr Blt	No of Units	Avg Unit Size (SF)	Sale Date	Sale Price	Price/Unit Price/RSF
Element 79 4373 Town Center Bl El Dorado Hills	2021	214	N/Av	Dec-21	$85,600,000	$400,000
Lake Point Apts 9589 Four Winds Dr Elk Grove	2004	232	1,072	Sep-21	$72,300,000	$311,638 $291
Broadleaf Apts 40 Park City Ct Sacramento	2006	244	1,041	Sep-21	$87,500,000	$358,607 $344
Autumn Ridge Apts 6011 Shadow Ln Citrus Heights	1986	410	794	Aug-21	$120,000,000	$292,683 $369
The Eisley 1567 Bartlett Lane Sacramento	2021	405	907	Jun-21	$150,000,000	$370,370 $408
Harvest at Fiddyment Ranch 1900 Blue Oaks Bl Roseville	2019	300	1,048	Jun-21	$111,350,000	$371,167 $354
Larkspur Woods 2900 Weald Way Sacramento	1995	232	1,086	Dec-20	$71,000,000	$306,034 $282
Ascent at the Galleria 700 Gibson Dr Roseville	2002	273	1,015	Dec-20	$95,000,000	$347,985 $343
Alira 4100 Innovator Dr Sacramento	2020	293	880	Dec-20	$92,300,000	$315,017 $358
Avion Apts 3250 Laurelhurst Dr Rancho Cordova	2006	208	961	Nov-20	$54,500,000	$262,019 $273
The Press 1714 21st St Sacramento	2020	277	696	Sep-20	$118,000,000	$425,993 $612

SACRAMENTO APARTMENT MARKET OUTLOOK

The Sacramento apartment market has maintained consistently positive rental growth, low vacancy rates and healthy net absorption over the past decade and this trend is expected to continue. The average regional vacancy rate over the past decade is near 5% and the current vacancy rate (4.2%) remains healthy. Rent growth has remained strong, averaging near 5% annually over the past decade and the current (10% YOY) rate is near the record high level. Overall, market fundamental remain solid and pending/future additions to supply are not expected to outweigh demand. Future gains in rent growth are expected to remain elevated in the 6%-8% range over the next few years and then moderate to historic levels going forward and vacancy rates are projected to remain at or below the 5% level. Overall, the outlook is clearly positive of the regional apartment market.

SUBMARKET ANALYSIS – SOUTH SACRAMENTO

The Delta Shores project is within the South Sacramento multifamily submarket, as defined by CoStar. Key apartment market statistics and five-year projections for the South Sacramento apartment market are summarized in the following table.

APARTMENT MARKET TRENDS AND PROJECTIONS - SOUTH SACRAMENTO SUBMARKET									
Period	Vacancy Rate	Avg Asking Rent/Unit	Annual Rent	Inventory Units	Under Constr Units	Under Constr % of Inventory	12 Mo Absorp Units	Avg Sale Price/Unit	Market Cap Rate
2026	3.9%	$1,967	3.0%	17,654	-	-	(17)	$256,515	4.8%
2025	3.6%	$1,911	3.7%	17,603	-	-	(25)	$250,669	4.7%
2024	3.4%	$1,842	4.4%	17,589	-	-	(11)	$243,012	4.7%
2023	3.3%	$1,765	5.8%	17,598	-	-	48	$234,657	4.7%
2022	3.5%	$1,668	7.8%	17,573	-	-	161	$223,519	4.6%
2022-Q1	**4.9%**	**$1,595**	**12.0%**	**17,662**	**298**	**1.7%**	**1**	**$202,138**	**4.5%**
2021	3.0%	$1,563	10.8%	17,254	706	4.1%	45	$214,187	4.5%
2020	3.2%	$1,405	6.3%	17,224	41	0.2%	318	$185,854	4.7%
2019	5.0%	$1,322	5.7%	17,212	21	0.1%	23	$168,630	4.9%
2018	4.0%	$1,251	5.3%	16,999	225	1.3%	(111)	$149,327	5.2%
2017	4.4%	$1,189	6.3%	17,199	12	0.1%	(150)	$128,214	5.5%
2016	3.6%	$1,119	9.7%	17,199	12	0.1%	93	$116,487	5.7%
2015	4.1%	$1,019	10.1%	17,199	12	0.1%	92	$105,887	5.9%
2014	4.9%	$926	4.4%	17,247	0	0.0%	50	$96,839	6.1%
2013	5.5%	$887	3.1%	17,307	0	0.0%	91	$88,223	6.4%
2012	7.2%	$860	1.3%	17,513	0	0.0%	(76)	$89,136	6.3%
2011	7.0%	$849	0.4%	17,573	0	0.0%	(1)	$88,193	6.2%

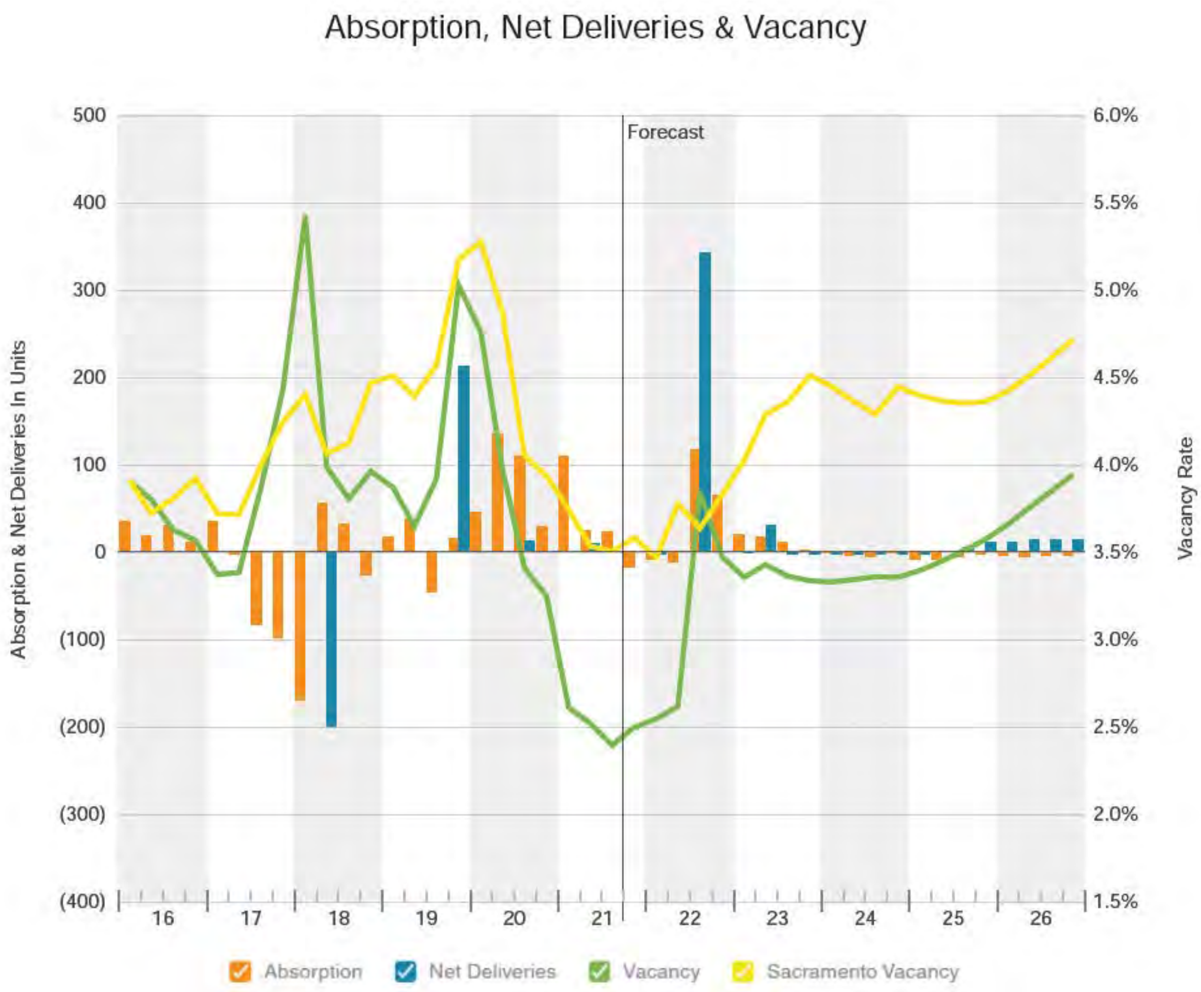
AVAILABILITY	SUBMARK...	MARKET
Vacancy Rate	4.8%	4.1%
Vacant Units	851	5.5K
Market Asking Rent/Unit	$1,616	$1,760
Market Effective Rent/Unit	$1,607	$1,751
Concession Rate	0.6%	0.5%
Studio Asking Rent	$1,160	$1,325
1 Bedroom Asking Rent	$1,444	$1,537
2 Bedroom Asking Rent	$1,682	$1,851
3 Bedroom Asking Rent	$2,448	$2,470

INVENTORY	SUBMARK...	MARKET
Inventory Units	17,662	133,863
Existing Buildings	362	2,786
Avg Units Per Bldg	49	48
12 Mo Demolished Units	0	0
12 Mo Occupancy % At Delivery	17.3%	23.3%
Under Construction Units	298	4,448
12 Mo Construction Starts Units	454	1,084
12 Mo Delivered Units	412	1,665
12 Mo Avg Delivered Units	282	212

OVERVIEW

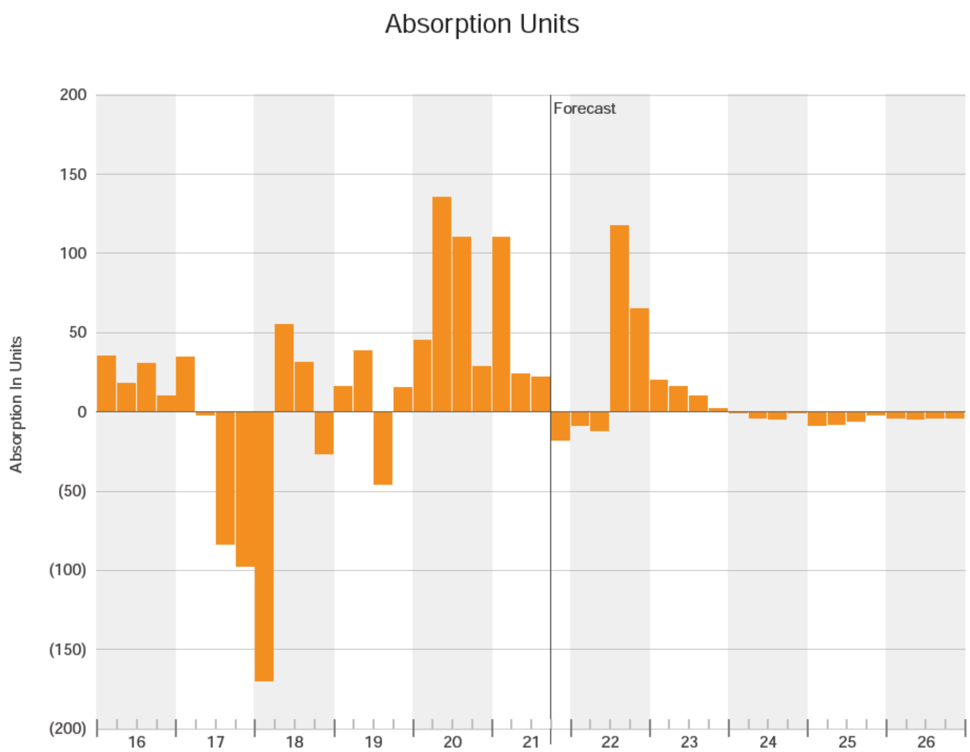
South Sacramento is one of the metro's largest submarkets by units and one of the more affordable. While the region has had low vacancy for a number of years, the high proportion of low-end inventory focused inbound renters from the Bay Area on suburban submarkets farther away from the urban core. However, a lack of housing inventory throughout the Sacramento metro has refocused residents on South Sacramento, and fundamentals are improving accordingly.

South Sacramento is largely in uncharted territory in terms of market fundamentals. What has historically been a submarket of low-end, low-cost inventory has started to shift toward overall market averages. With limited new supply set to enter the submarket and construction metro wide primarily focused on high-end product, little change is expected in the near to medium term.



ABSORPTION

Demand has picked up in recent periods, with net absorption reaching 318 units in 2020 and 45 units in 2021.

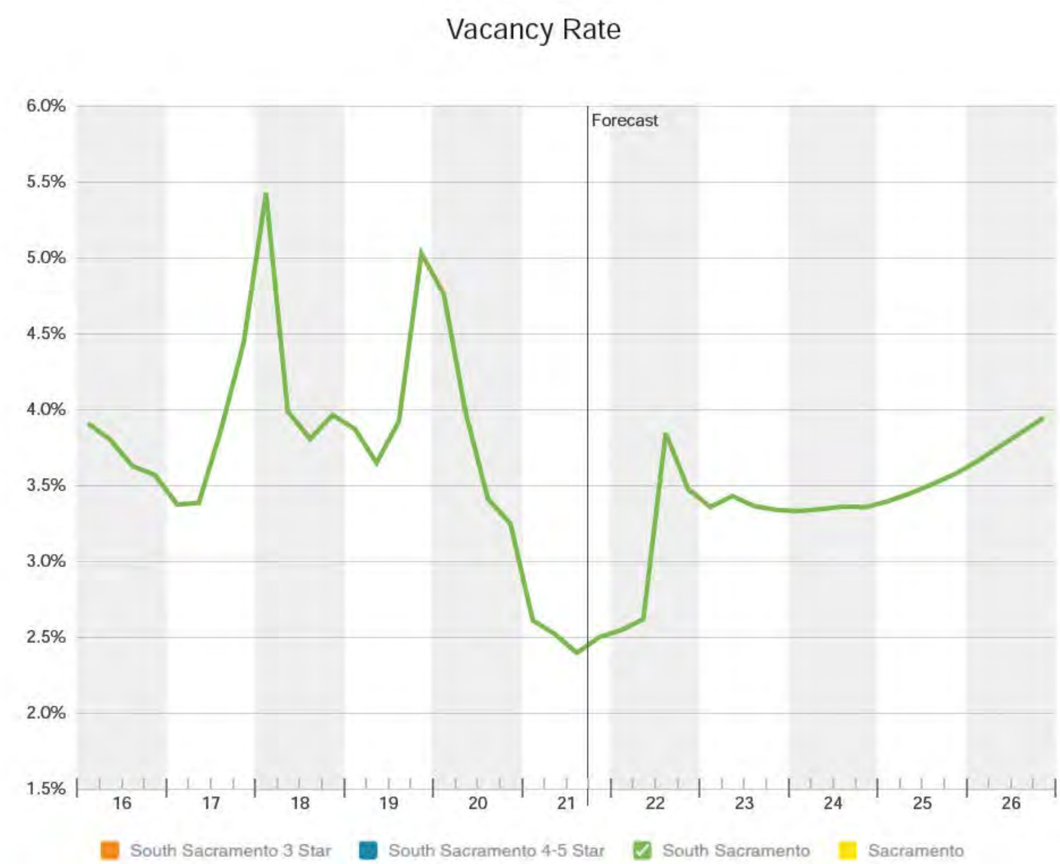


VACANCY

South Sacramento has long enjoyed solid fundamentals but hasn't seen the outsized rent demand or near-zero vacancy that put the metro in national headlines. However, market dynamics have begun to shift, and metrics are coming in line with activity across the balance of the market. Specifically, the submarket vacancy rate now rests at 4.9%and asking rents have reached $1,595/unit, up 12% year-over-year.

There is new supply in the pipeline, with 298 units currently underway. The largest project is the Maven, which will bring a total 444 units to the market in phases, but likely will not complete until mid-2022. Other than a handful of small projects, no new inventory has entered the market since 19Q4, all of which has been absorbed.

South Sacramento is in a much different position than it has been traditionally. Renters are seeing value in the centralized location as well as cost-effective rents relative to the metro as a whole. However, this value proposition may not last, with the aforementioned low vacancy and rising rental rates expected to continue through the near to medium term, bringing metrics in line with metro norms.

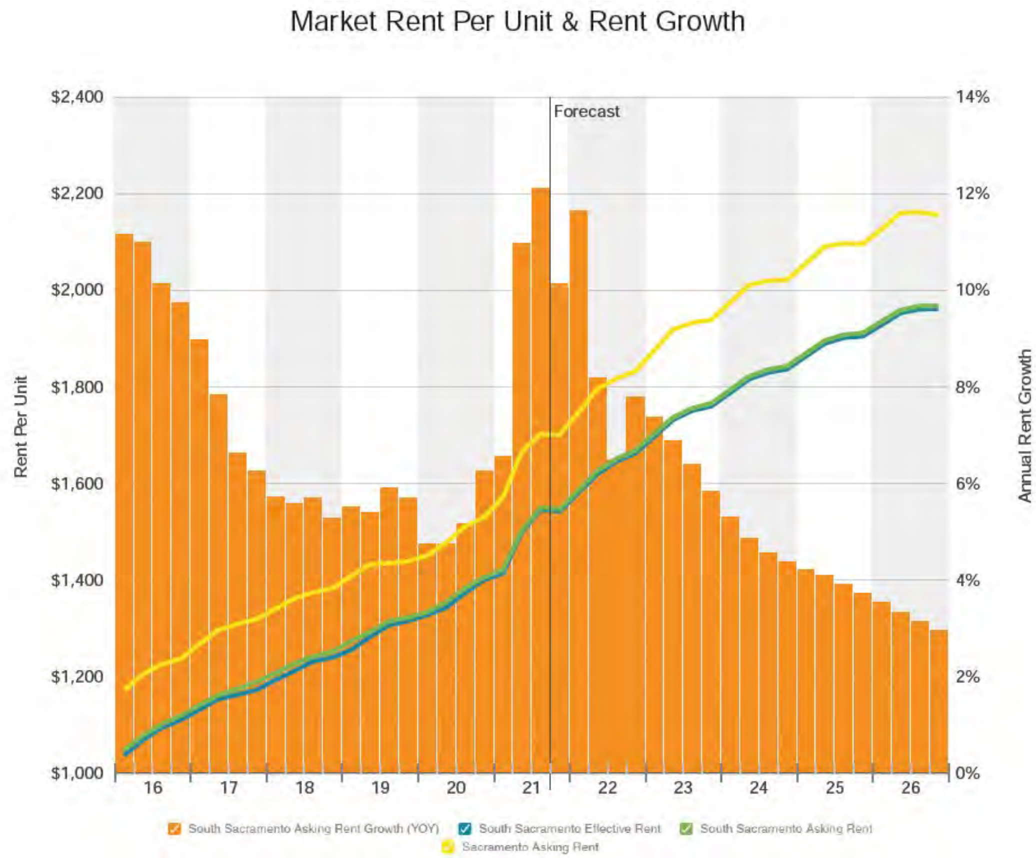


RENTAL RATES

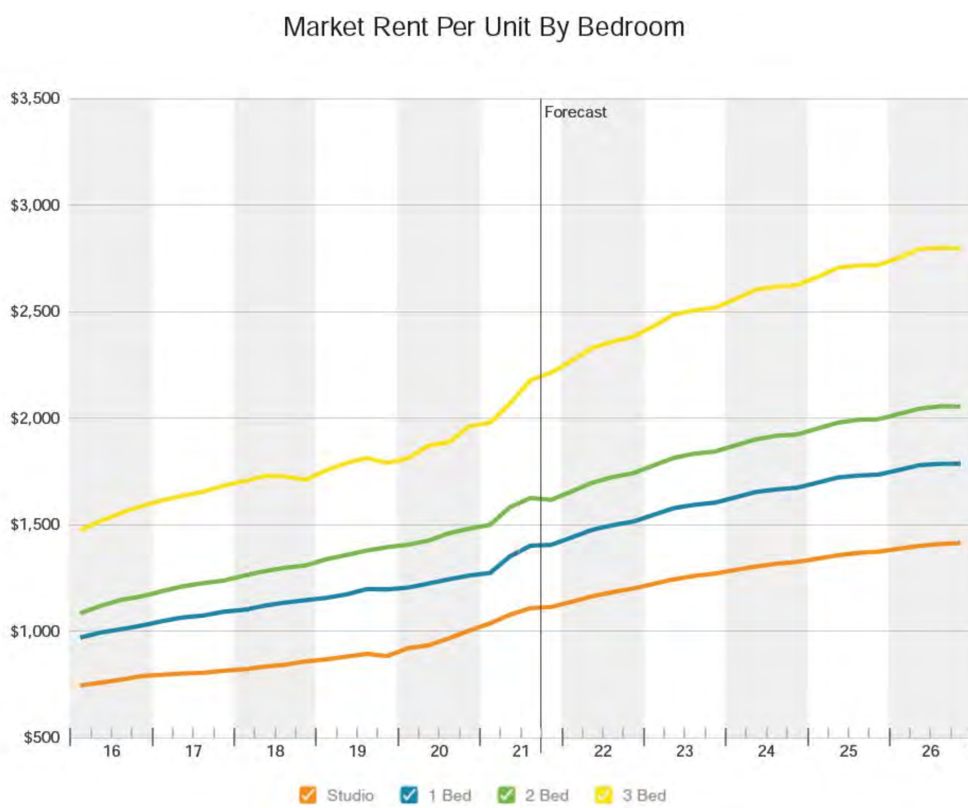
Apartments in South Sacramento offer some of the lowest costs in the metro, but like the rest of the market, outsized demand has been pushing rents, up 10.8% during 2021 and 12.0% year-over-year as of Q1-2022r. Rent growth has been concentrated in the most recent periods with gains hovering around 6% from 17Q4 to 21Q2. Recent increases are likely due to a lack of housing throughout Sacramento as supply becomes increasingly limited despite record-high levels of construction, with South Sacramento the latest area of focus.

Despite the rapid increase in rents, the average asking rent in South Sacramento is $1,595/month, roughly 10% below the metro norm. Depressed lease rates are primarily a function of aging inventory as the submarket is home to some of the oldest inventories in the region with a wide array of low- and mid-tier product. Nevertheless, rents are up significantly, easily surpassing the three-year average of $1,430/month.

Rent growth has been concentrated in mid-tier product as 3 Star inventory has seen increases of 12.6% outpacing the rest of the market. More of the same is expected in the near term as the market remains significantly supply constrained. There is a modest amount of construction activity in the market, which will likely be priced at the top of the market, further driving rents.



Market Rent Per Unit & Rent Growth
Forecast
Rent Per Unit
Annual Rent Growth
$2,400
$2,200
$2,000
$1,800
$1,600
$1,400
$1,200
$1,000
14%
12%
10%
8%
6%
4%
2%
0%
16
17
18
19
20
21
22
23
24
25
26
South Sacramento Asking Rent Growth (YOY)
South Sacramento Effective Rent
South Sacramento Asking Rent
Sacramento Asking Rent



Market Rent Per Unit By Bedroom
Forecast
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
16
17
18
19
20
21
22
23
24
25
26
Studio
1 Bed
2 Bed
3 Bed

INVENTORY & CONSTRUCTION

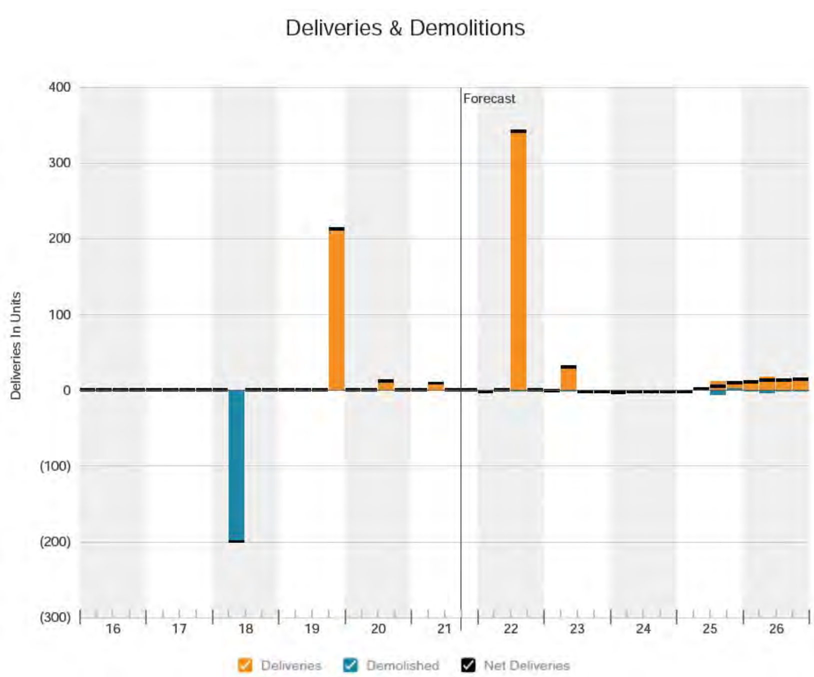
The submarket covers a large geographic area and contains a current inventory of approximately 17,662 units, with more than 90% of existing inventory being at least 20 years old and nearly 94% of existing project is rated Class B and C.

SUBTYPE	EXISTING INVENTORY (UNITS)	NET DELIVERIES (12 MONTHS)	UNDER CONSTRUCTION (UNITS)
Class A (4 & 5 Star)	1,109	408	266
Class B (3 Star)	8,997	0	32
Class C (1 & 2 Star)	7,118	0	0
Total	**17,662**	**0**	**298**

High construction costs and some of the lowest rents in the region have combined to limit construction activity in South Sacramento and there has been minimal supply-driven pressure in the South Sacramento submarket over the past decade. The only notable recent addition to supply was the Gio Apartments (213 units), which was completed in 2019 at 3675 T Street, just north of the UC Davis Medical Center.

There are two projects presently under construction within the submarket. The largest project contains 444 units (known as "Maven" and located at 2570 3rd Street, just south of Broadway). The developer is 29th Street Capital and the projected delivery date for the initial phase is in Q2-2022. The other project contains 32 units (known as "Tran Villa Luxury Apartments" located at 6458 Stockton Blvd), with projected completion in Q3-2022.

Another notable project slated to break ground soon is known as the Klotz Ranch Apartments, planned for 266 units located just south of Pocket Road immediately east of Interstate 5. A.G. Spanos Co. secured entitlements for the project and closed on the site in July 2021. This submarket also has a pipeline of approximately 10 proposed projects ranging in size from 20 to 220 units; however, development timing for many of these proposed projects is uncertain.



SALES & CAPITALIZATION RATES

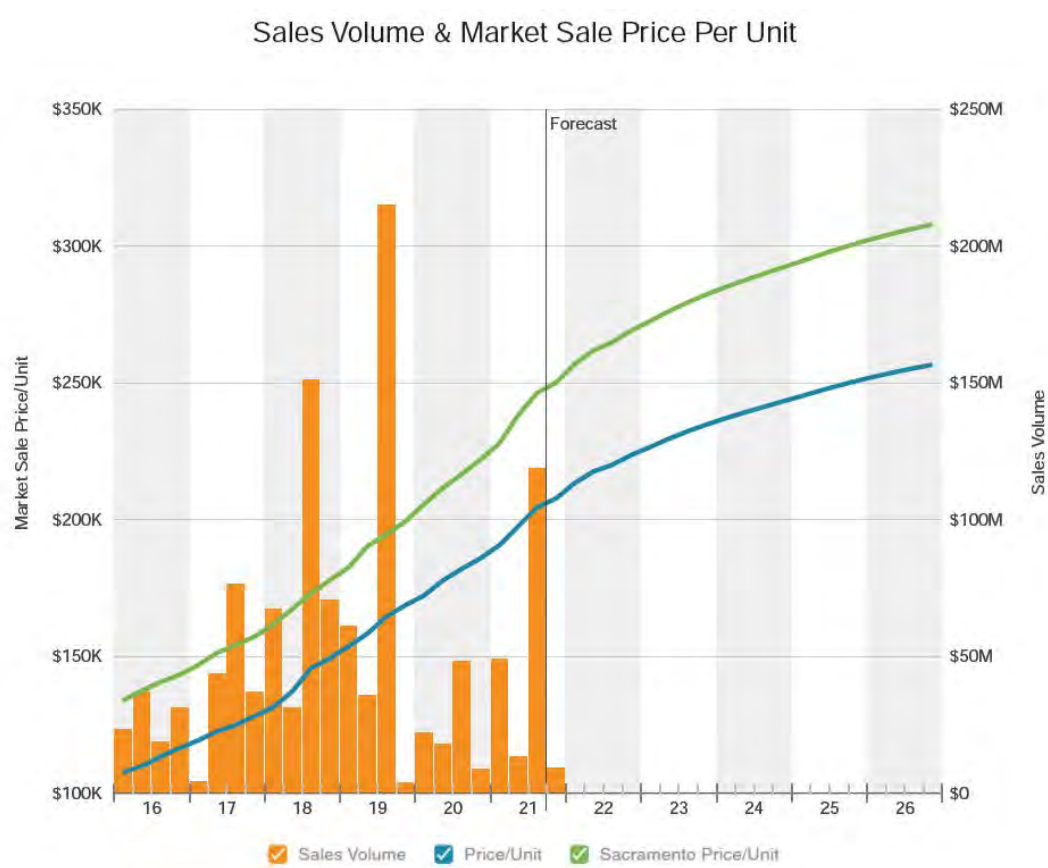
South Sacramento's multifamily sales peaked in 2019 before the onset of the pandemic and caused hesitancy among investors. However, there are signs of rebound in 2021 as sales volume over the last year has reached $194 million across 25 transactions.

This figure is inflated slightly by the largest sale of the last year, the 4 Star Broadleaf Apartments, which recapitalized in September 2021 for $87.5 million ($359,000/unit). The 244-unit property was purchased by Seattle-based Security Properties, Inc. Broadleaf was 96% leased at the time of sales and offers a mix of one- and two-bedroom units along with a variety of amenities including a game room, lounge, media center, and business center.

Driven in no small part by the Broadleaf trade, pricing continues to increase. The average per-unit pricing for the market has reached $214,000 in 2021. While this is less than Sacramento's overall figure of $250,000, it is higher than the three-year average of $190,000/unit. Given the recent increase in rental rate growth, per-unit pricing will likely continue to grow, approaching the metro norm.

South Sacramento offers a unique mixture of proximity to the urban core and relatively low-cost housing. However, the submarket is still very much supply constrained, putting upward pressure on both lease rates and property values. Sales volume is likely to be strong in coming periods as this remains one of the region's few remaining options with value-add potential.

The average market cap rate, which has been trending below 5% since 2019, is presently 4.5%.



SOUTH SACRAMENTO APARTMENT MARKET OUTLOOK

South Sacramento is one of the metro's largest submarkets by units and one of the more affordable. While the region has had low vacancy for a number of years, the high proportion of low-end inventory focused inbound renters from the Bay Area on suburban submarkets farther away from the urban core. However, a lack of housing inventory throughout the Sacramento metro has refocused residents on South Sacramento, and fundamentals are improving accordingly.

Consistent with regional trends, the South Sacramento apartment market has maintained consistently positive rental growth and low vacancy rates over the past decade and this trend is expected to continue. Lack of new development and increased demand have placed significant pressure on lease rates, which are up at a near-record pace of 10.8% as of year-end 2021.

Overall, market fundamentals remain solid and the limited pending and future additions to supply are not expected to outweigh demand. Future gains in rent growth are expected to remain well above average over the next few years, and then moderate to historic levels going forward. Overall, the outlook remains positive of the South Sacramento apartment market.

COMPETING APARTMENT PROPERTIES

The high density residential sites within Delta Shores will most likely be developed with Class A product. We have identified six existing competing projects within the South Sacramento submarket area. The following table summarizes the new and relatively new Class A projects in these areas.

COMPETITIVE (CLASS A) APARTMENT PROJECTS								
		No of	Avg Unit	Average Rent*		*%		
Project	Yr Blt	Units	Size (SF)	$/Mo	$/SF/Mo	Occupied	Developer	Submarket
Broadleaf Apts 40 Park City Ct Sacramento	2006	244	1,041	$2,323	$2.23	95%	AG Spanos	Pocket Area
Comments:	Unit mix: 1x1 (64), 2x1 (48) and 2x2 (132). Project sold in Sep-2021 for $87.5 million ($358,607/unit).							
The Landing at College Square 7640 W Stockton Bl Sacramento	2017	270	932	$2,177	$2.34	96%	USA Properties	Valley High/ North Laguna
Comments:	Unit mix: 1x1 (126), 2x2 (120) and 3x2 (24). Project sold in Oct-2017 for $59 million and then sold again in Feb-2020 for $64.75 million ($239,815/unit).							
Wolf Ranch 7200 Jacinto Rd Sacramento	2008	160	1,196	$2,269	$1.90	96%	N/Av	Valley High/ North Laguna
Comments:	Unit mix: 1x1 (16), 2x1 (16), 2x2 (84) and 3x2 (44). Project sold in Oct-2017 for $35 million							
Vasari 8117 Sheldon Rd Sacramento	2017	324	948	$2,291	$2.42	97%	Guardian Capital	Valley High/ North Laguna
Comments:	Completed October 2017. Unit mix: 1x1 (137), 2x2 (159), 3x2 (28)							
Laguna Creek Apts 8760 Center Pky Sacramento	2004	160	1,040	$2,216	$2.13	98%	American Capital	Valley High/ North Laguna
Comments:	Unit mix: 1x1 (52) and 2x2 (108).							
Bella Vista 6810 Di Lusso Dr Elk Grove	2000 R-2015	241	1,004	$2,228	$2.22	98%	Fairfield Res	Elk Grove
Comments:	Unit mix: 1x1 (60), 2x2 (132) and 3x2 (49). Project sold in Dec-2018 for $59 million ($244,813/unit).							

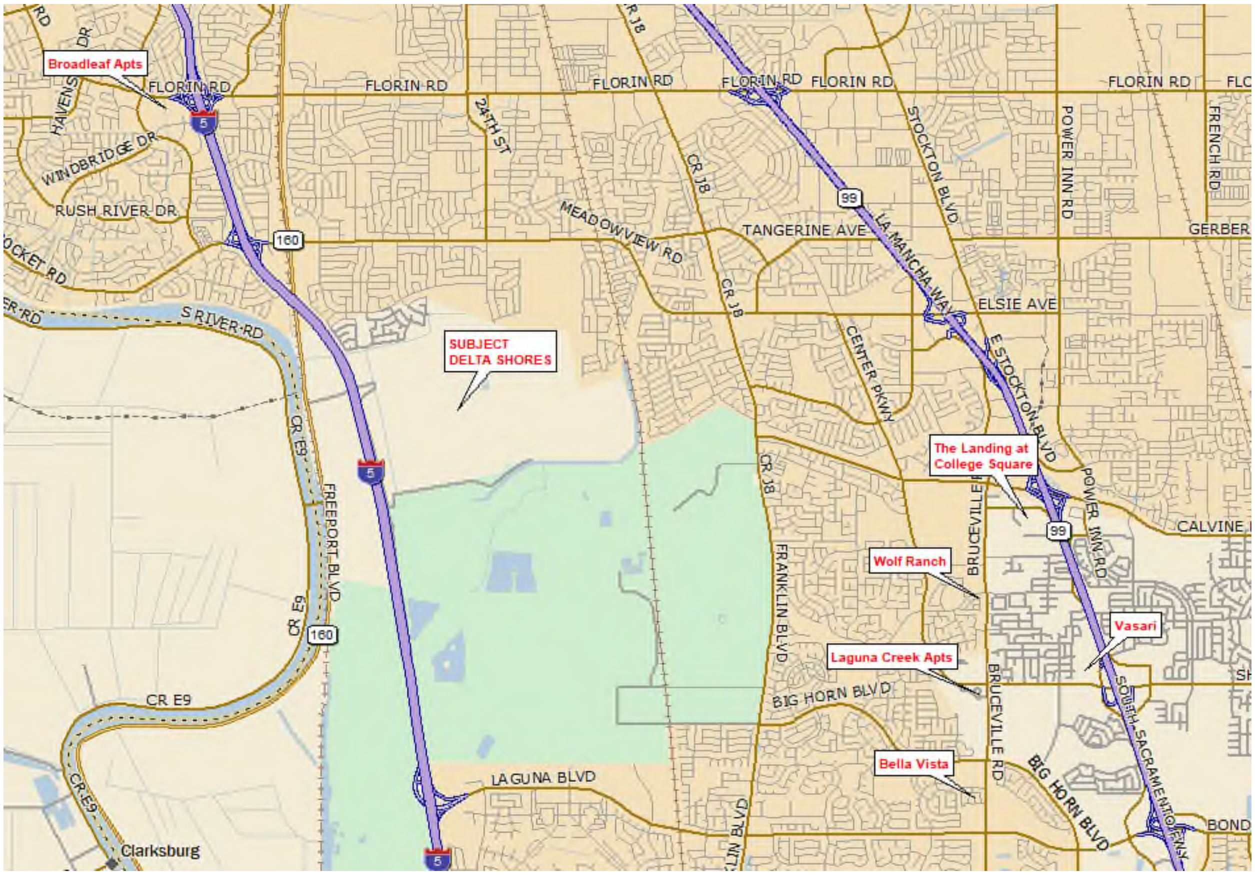
**Average quoted rent and occupancy as of November 2021.*

As summarized above, the six most competitive existing apartment projects indicate average rental rates ranging from $2,177 to $2,323 per month or from $1.90 to $2.42 per square foot. These projects have current occupancy rates ranging from 95% to 98% (average 97%).

Broadleaf apartments is located in the Pocket Area and is within closest physical proximity to Delta Shores. The five additional projects are located in the Valley High/North Laguna sub-area to the southeast in closer proximity to Highway 99.

A map identifying the locations of these projects relative to Delta Shores follows.

COMPETING APARTMENT LOCATIONS



ELK GROVE SUBMARKET TRENDS

As previously discussed, the subject is technically within the South Sacramento submarket, which consists primarily of older Class B and C product. The Elk Grove submarket is located directly to the south. The following table identifies inventory levels, by Class, within these two submarkets.

SUBTYPE	ELK GROVE EXISTING INVENTORY (UNITS)	SOUTH SACRAMENTO EXISTING INVENTORY (UNITS)	UNDER CONSTRUCTION (UNITS)
Class A (4 & 5 Star)	2,202	1,109	0
Class B (3 Star)	1,440	8,997	0
Class C (1 & 2 Star)	450	7,188	0
Total	**4,092**	**17,224**	**0**

Recognizing that the subject part of the new master planned community of Delta Shores, the neighboring Elk Grove submarket to the south is considered to be the most competitive submarket area for future apartment projects. Therefore, a summary of trends for the Elk Grove submarket is presented here.

Key apartment market statistics and five-year projections for the Elk Grove apartment market are summarized in the following tables and exhibits.

APARTMENT MARKET TRENDS AND PROJECTIONS - ELK GROVE									
Period	Vacancy Rate	Avg Asking Rent/Unit	Annual Rent	Inventory Units	Under Constr Units	Under Constr % of Inventory	12 Mo Absorp Units	Avg Sale Price/Unit	Market Cap Rate
2026	3.9%	$2,651	3.0%	4,089	-	-	(10)	$363,308	4.4%
2025	3.6%	$2,573	3.7%	4,087	-	-	(13)	$354,902	4.4%
2024	3.3%	$2,481	4.4%	4,087	-	-	(13)	$344,096	4.4%
2023	3.0%	$2,377	5.9%	4,089	-	-	(12)	$332,385	4.4%
2022	2.8%	$2,245	7.8%	4,091	-	-	(3)	$316,555	4.3%
2022-Q1	**3.6%**	**$2,046**	**4.8%**	**4,092**	**0**	**0.0%**	**(50)**	**$297,675**	**4.3%**
2021	3.5%	$2,055	12.8%	4,092	0	0.0%	(41)	$288,428	4.4%
2020	2.4%	$1,823	8.7%	4,092	0	0.0%	86	$258,314	4.4%
2019	4.5%	$1,676	6.2%	4,092	0	0.0%	6	$233,622	4.7%
2018	4.7%	$1,578	3.2%	4,092	0	0.0%	202	$206,488	5.0%
2017	9.6%	$1,529	7.4%	4,092	0	0.0%	335	$182,466	5.2%
2016	3.8%	$1,424	6.7%	3,498	270	7.7%	(12)	$166,869	5.4%
2015	3.5%	$1,335	8.0%	3,498	270	7.7%	35	$159,351	5.5%
2014	4.5%	$1,236	4.3%	3,498	0	0.0%	17	$145,247	5.7%
2013	4.9%	$1,185	3.9%	3,498	0	0.0%	36	$131,826	6.0%
2012	5.9%	$1,140	1.9%	3,498	0	0.0%	17	$131,064	5.9%
2011	6.4%	$1,119	1.7%	3,498	0	0.0%	(1)	$132,299	5.8%

AVAILABILITY	SUBMARK...	MARKET
Vacancy Rate	3.5%	4.1%
Vacant Units	145	5.5K
Market Asking Rent/Unit	$2,083	$1,760
Market Effective Rent/Unit	$2,074	$1,751
Concession Rate	0.4%	0.5%
Studio Asking Rent	-	$1,325
1 Bedroom Asking Rent	$1,855	$1,537
2 Bedroom Asking Rent	$2,136	$1,851
3 Bedroom Asking Rent	$2,321	$2,470

INVENTORY	SUBMARK...	MARKET
Inventory Units	4,092	133,863
Existing Buildings	29	2,786
Avg Units Per Bldg	141	48
12 Mo Demolished Units	0	0
12 Mo Occupancy % At Delivery	-	23.3%
Under Construction Units	0	4,448
12 Mo Construction Starts Units	0	1,084
12 Mo Delivered Units	0	1,665
12 Mo Avg Delivered Units	-	212

ELK GROVE SUBMARKET OVERVIEW

One of the premier suburbs for families, vacancies in Elk Grove of ended 2021 at 3.5%. Net absorption levels have been very low since the end of 2020 as a lack of available space on the market has severely hampered the metric.

Current owners understand the market dynamics well and are pushing rents throughout the submarket up 12.8% as of year-end 2021 versus year-ago levels. Rents in high-end product have had the most increases, up 16.5% during that time.

Available inventory will remain low for some time as there are no projects under construction in Elk Grove. The last property brought to market was a 324-unit community that completed at the end of 2017.

Elk Grove, like many of the region's suburbs, has done very well during the pandemic. The submarket saw an influx of new residents fleeing the Bay Area and driving the already low vacancy rates down further. Fundamentals will likely remain at this level for some time with no new development in the pipeline to reset the area to the pre-pandemic norm.

MARKET AND ABSORPTION ANALYSIS - BY JBREC

A market and absorption study for the subject project (prepared by John Burns Real Estate Consulting - JBREC) was provided for review. The JBREC report identified seven competitive apartment properties in South Sacramento, the Pocket and Elk Grove. A summary of these properties is provided below. The project report an average occupancy rate of 96% average base rental rates ranging from $2.00 to $2.67 per square foot (average of $2.36/SF). On average, they report the subject would compete in the middle of the range of the competitive properties.

SUMMARY OF COMPETITORS										
COMMUNITY	BUILT	CITY	BASE RENT RANGE	OCCUPIED	AVG BASE (LOW) RENT	AVG BASE $/SF	AVG. CONCESSION $	AVG. CONCESSION %	NET EFFECTIVE AVG RENT	NET EFFECTIVE AVG $/SF
Subject at Stabilized Occupancy	Q3 2023 forward	Sacramento	$1950 - $2625	-	$2,258	$2.36	$0	0.0%	$2,280	$2.39
Broadleaf	2007	Sacramento	$2395 - $3150	96%	$2,740	$2.67	$0	0.0%	$2,761	$2.70
Landing at College Square	2017	Sacramento	$1911 - $2467	97%	$2,172	$2.42	$0	0.0%	$2,199	$2.45
Wolf Ranch	2008	Sacramento	$2038 - $2734	95%	$2,371	$2.00	$0	0.0%	$2,412	$2.04
Vasari	2017/18	Elk Grove	$2107 - $2803	95%	$2,383	$2.44	($42)	-1.7%	$2,385	$2.43
Laguna Creek	2004	Elk Grove	$2022 - $2383	98%	$2,299	$2.25	$0	0.0%	$2,299	$2.25
Bella Vista	2001	Elk Grove	$1993 - $2690	96%	$2,317	$2.37	$0	0.0%	$2,422	$2.47
Mesa at Laguna Ridge	2020	Elk Grove	$1850 - $2500	93%	$2,273	$2.34	$0	0.0%	$2,273	$2.34
			AVERAGE	96%	$2,380	$2.36	($7)	-0.3%	$2,413	$2.39
			MEDIAN	96%	$2,344	$2.39	$0	0.0%	$2,399	$2.44

The Burn's report cited information from REIS Services which monitors the apartment market. Some of the relevant finding from this source indicates the following:

- From 2007 to 2021 the Sacramento market has had average apartment completions of 494 units annually. In the South Sacramento/Elk Grove Market the annual completions averaged 100 units.
- The average occupancy of apartments properties in the subject sub-market rate very similar to the region with occupancy levels between 96% to 98% over the past five years.
- Effective rents rates for the past 3 years in the subject submarket ranged from $1,308 to $1,483 per month, on par with region-wide averages.

ABSORPTION

JBREC completed two build-out scenarios for absorption of the subject multi-family units. The basis of their absorption was a lease-up schedule of 15 units per month. In Scenario 1, the first HDR land sale was projected to occur in 2Q-2023 with approximately 15-months to complete construction and an absorption rate of 15 units per month. Scenario 1 estimates a 10 year absorption period for the five HDR sites with a total build-out period of 12 years for completed projects. This scenario assumes the sale of the next HDR parcel immediately toward the completion of leasing of the previous apartment complex.

Under Scenario 2 they used the same 15 units per month leasing, but assumed no down-time between apartment projects being completed. Scenario 2 estimates a six year absorption period for the five HDR sites with a total build-out period of eight years for completed projects.

We have considered both scenarios in our projection and conclude to a total absorption period of nine years. The JBREC projections and our conclusions are summarized as follows:

Lot Absorption - HDR/MU

JBREC Projections	Total	Yr 1	Yr 2	Yr. 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Scenario #1	1,152	0	232	0	187	0	159	0	217	125	232
Scenario #2	1,152	0	232	312	159	217	232				
BBG Projection											
HDR & MU	1,152	0	232	0	187	159	217	0	232	125	0

HIGHEST AND BEST USE

A determination of highest and best use is necessary prior to valuation of a property. In the sixth edition of *The Dictionary of Real Estate Appraisal*, the Appraisal Institute defines Highest and Best Use as: "The reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value."

We conduct four tests to determine the highest and best use of the subject property:

- Legally permissible per the applicable zoning standards and other restrictions
- Physically possible
- Financially feasible
- Maximally productive

Typically, these tests are applied in the order listed above. The highest and best use of a property is the one that meets the first three criteria, and will produce the greatest future benefit to the owner. Analysis of the highest and best use of the land assumes that the subject site is vacant and available for development to the determined highest and best use. The analysis of Highest and Best Use As Improved determines whether continued use as is, alteration, or demolition and redevelopment constitutes the maximally productive use of the existing improvements.

AS VACANT

LEGALLY PERMISSIBLE

The subject is zoned Single-family and Multi-family residential. The subject is part of fully entitled and approved master planned project. Under the original entitlements the subject property was approved for 1,943 units. This included 802 single-family lots and 1,141 high density residential lots. The current land use plan of 1,573 units is well under the existing entitlements. As part of the approvals various on-going mitigation measures must be undertaken. Updated information indicates the existing mitigation measures for the project are being achieved.

Based on the zoning and entitlements, the site can be developed with single-family and multi-family residential units. No other restrictions have been identified that would limit development of the property beyond the development standards stipulated by the municipal code for the subject's designated zoning. Given prevailing land use patterns in the area, only residential development is given further consideration in determining the highest and best use of the site as vacant.

PHYSICALLY POSSIBLE

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Surrounding land uses are similar or complementing. Primary offsite improvements appear to be in place. The subject is not located in an adverse flood or earthquake zone. Nearby parcels have been developed with no apparent negative soil conditions. The subject is located in a growing area of Sacramento County. There exists sufficient support uses in the area to accommodate residential uses on the site. The physical characteristics of the site support the legally allowable uses of the property.

FINANCIALLY FEASIBLE

Based on our analysis of the market, there is currently high demand for residential lots and homes within the region, Sacramento County and the City of Sacramento. Review of sales of finished single-family and multi-family residential land acquisitions indicate prices are well above lot development cost which is one sign of feasibility. Further, finished homes and multi-family units are selling in excess of land and improvement costs. Based on our analysis, new single-family and multi-family residential lot development is financially feasible.

MAXIMALLY PRODUCTIVE

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than single-family and multi-family residential development. The subject project is legally permitted for up to 1,943 units. While the existing development plan is for 1,573 units (421 medium density and 1,152 high density), the existing legal and physical characteristics would allow changing the allocation of the these uses to accommodate the demand for the two property uses.

Based on current market trends and our analysis, the maximally productive use of the four MDR sites (421 single-family residential units) for near term development with detached single-family homes. The five HDR sites and single MU site could support a several high-density residential uses including traditional apartment product, for-sale condominiums or for-sale (attached) townhome product; however given the proposed density levels (27 units/acre for HDR sites and 23 units/acre for the MU site) development with traditional market rate apartment product is considered most likely.

Accordingly, it is our opinion that both single-family (421 units) and multi-family (1,152 units) residential development is the maximally productive use of the property.

CONCLUSION – AND MOST PROBABLE BUYER

Single-family and multi-family residential development are the only uses that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as vacant. Builder demand for lots across the region are expected to remain high for the foreseeable future. The most probable buyer of the subject property would be single-family homebuilders for the single-family villages and apartment developers for the multi-family sites.

VALUATION PROCESS

In developing an opinion of value, appraisers consider the Cost Approach, Sales Comparison Approach and the Income Approach. These three valuation methods are defined in the following table:

VALUATION METHOD	DEFINITION
Cost Approach	In this approach, the contributory value of the improvements (after deductions for accrued physical depreciation, functional obsolescence, and external obsolescence) is added to the value of the land as if it were vacant per our determination of highest and best use. If the interest appraised is other than fee simple, additional adjustments may be necessary for non-realty interest and/or the impact of existing leases or contracts.[1]
Sales Comparison Approach	In this approach, recent sales of similar properties in the marketplace are compared directly to the subject property, based upon a market-derived unit of comparison (i.e. price per square foot). We analyze physical, locational, and geographic differences between the subject and each comparable, and apply quantitative or qualitative adjustments to the comparables in order to arrive at an indication of value. The theoretical basis for this approach lies in the principle of substitution, whereby investors or owner-users are able to comparison-shop and set prices based on relative differences in properties. The reliability of an indication found by this method depends on the quality of the comparable data found in the marketplace.[1]
Income Capitalization Approach	The income approach utilizes a market-oriented rate of return to convert a property's potential income into a value indication (capitalization). The approach considers explicitly considers rent, vacancy, expense, and capitalization/discount rate trends in the subject's market, and reflects the primary analysis employed by most investors in leased commercial real estate assets. The two most commonly used income approach methodologies are direct capitalization and discounted cash flow analysis. These are frequently employed separately or in concert, depending upon the economic characteristics of the property, and the anticipated process of the most probable purchaser. The theoretical basis for this approach comes from the principle of anticipation and substitution. The principle of anticipation applies because the value of a property is the present value of expected future cash flow. The principle of substitution is also applicable, because rental rates for the subject property must be in line with those of competitive space. Furthermore, the value estimated by the income capitalization approach assumes that investors will earn a rate of return consistent with that available for alternative investments of comparable risk.[1]

[1] Real Estate Education Company, "Income Property Appraisal", 1991.

We have considered the physical and economic characteristics of the property, as well as the most probable purchaser concluded in the analysis of Highest and Best Use, to determine the appropriate valuation methodology.

The valuation begins with the valuation the proposed lots and tracts of land within the subject project. In the valuation of the subject lots, we utilize the sales comparison and the subdivision development method. The sales comparison approach considers area bulk lot sales, with adjustments applied accordingly relative to the subject. The subdivision development method is a discounted cash flow analysis that reflects anticipated home prices and costs over an absorption period, leading to an estimate of residual land/lot value. The two approaches to value are then reconciled to arrive at finished lot prices.

The next step in the valuation process is the use of a discounted cash flow analysis for the whole project. This analysis takes into account the potential revenue from the sale of lots, the expected apportion period, development costs for the backbone infrastructure costs, holding and sales costs as well as profit expectations of a buyer for the property.

For each component analyzed, we reconcile the value indications of each approach to value. The reliability of each approach, and resulting emphasis given in the final reconciliation, is determined based upon the quantity, quality, and overall reliability of its data.

SALES COMPARISON APPROACH – SINGLE-FAMILY LOTS

We utilize the sales comparison approach to value the residential lots within the development. The sales comparison approach develops an indication of value by comparing the subject to sales of similar properties. The steps taken to apply this approach are:

- Identify relevant property sales;
- Research, assemble, and verify pertinent data for the most relevant sales;
- Analyze the sales for material differences in comparison to the subject;
- Reconcile the analysis of the sales into a value indication for the subject.

The subject property will include 421 single-family lots. The valuation process starts with the benchmark value for the single-family lots under the following criteria:

Finished Single-Family Lots: The benchmark value for single-family lots is based on MDR-8, which contains 136 lots (assumed to be finished) with a minimum lot size of 3,116 square feet. Finished lot means all site development is completed, final map has recorded, and all development fees due at final map have been paid. A finished lot does not include fees due at building permit, since these items are associated with home construction.

On the following pages are the comparable sales for this land use category.

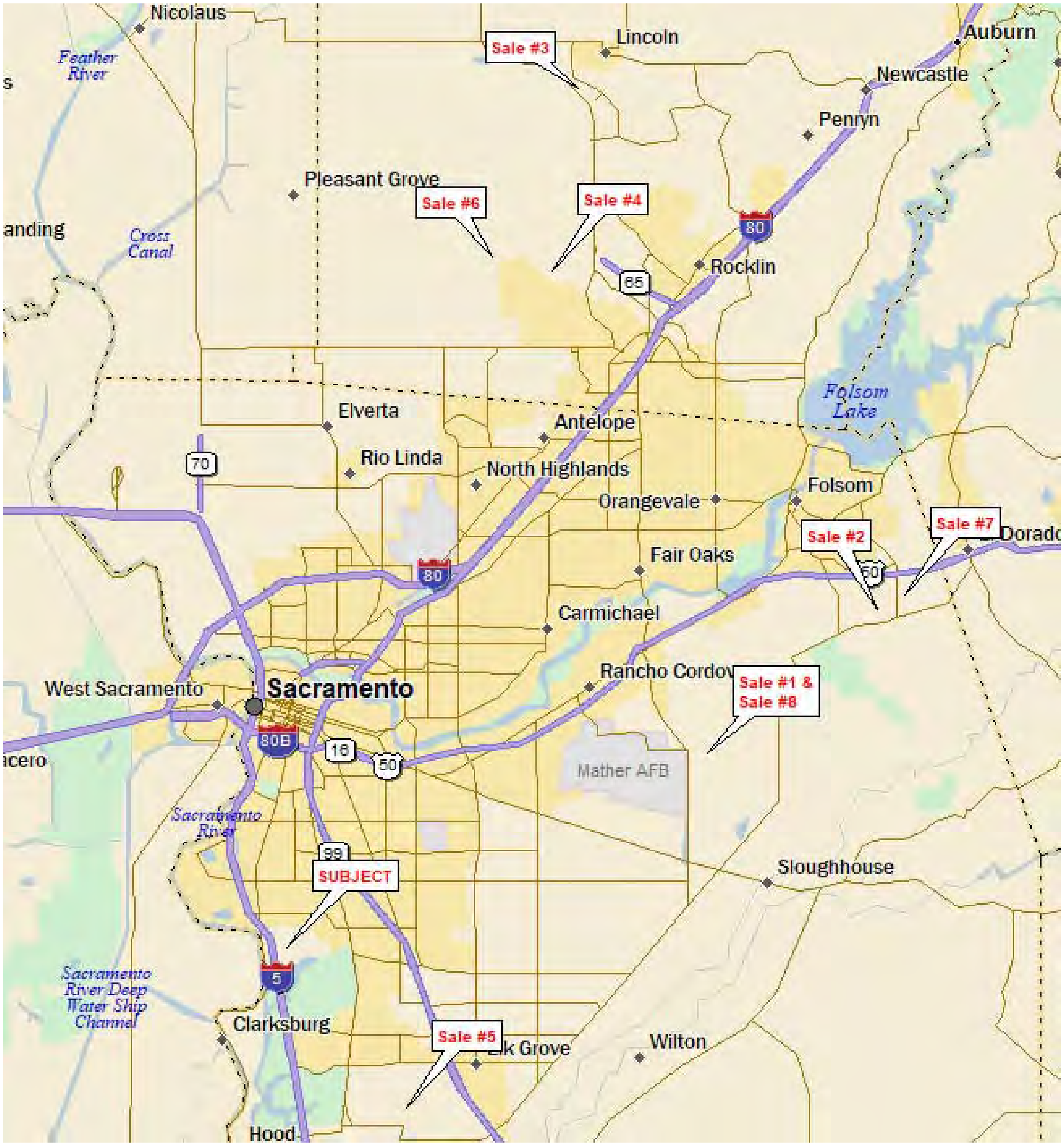
SUMMARY OF COMPARABLE LAND/LOT SALES - SINGLE FAMILY

No.	Property Identification	Grantee Grantor Doc No.	Sale Date Sale Status Property Rights Sale Conditions/Financing	Lot Status at Sale Configuration Lot Size (±SF) No. of Lots	Sale Price	Price/Lot	Lot Dev. Cost ($/Lot)	Permits/Fees ($/Lot)	Special Taxes ($/Lot/Year)
1	Montellena - 125 Lots SWC Douglas Rd & Montellena Dr Rancho Cordova Sacramento County	Richmond American Homes MDRE Development 20210916-0757	Sep-21 Closed Fee Simple Market/Cash	Finished Lots Traditional 5,000 125	$20,000,000	$160,000	$0	$80,000	$3,030
	Comments: Represents the sale of 125 finished lots (5,000 SF minimum lot size) within the Montelena community in Rancho Cordova. Permits and fees are reported at $80,000 per lot and annual special taxes are identified at $3,032 per lot. Based on data as of 3Q-2021 (date of acquisition) as reported by the Gregory Group, average new home pricing is $611,182 in the Ranch Cordova submarket.								
2	White Rock Springs NEQ Mangini Pky & Placerville Rd Folsom Sacramento County	Lennar Homes Gragg Ranch Recov. Acq. 20210511-1638	May-21 Closed Fee Simple Market/Cash to Seller	Finished Lots Traditional 5,775 135	$26,985,000	$199,889	$0	$60,000	$2,200
	Comments: This transactions reflects Lennar's acquisition of 135 finished lots (5,775 SF) within White Rock Springs in Folsom. Permits & fees are reported at $60,000 per lot and annual special taxes are approximately $2,200 per lot. Additionally, there will be HOA with monthly dues at $135 per home. Based on data as of 2Q-2021 (date of acquisition) as reported by the Gregory Group, average new home pricing was $780,959 in the Folsom submarket.								
3	Lincoln Crossing Lincolnshire Circle Lincoln Placer County	D.R. Horton Jen California 23523	Feb-21 Closed Fee Simple Market/Cash	Finished Traditional 3,600 81	$10,773,000	$133,000	$0	$50,000	$3,100
	Comments: Represents the sale of 81 finished lots within Lincoln Crossing in Lincoln. This was an all cash transaction. DR Horton is marketing homes from $436,990 to $476,990 with sizes from 1,630 to 2,237 SF. Based on data as of 1Q-2021 (date of acquisition) as reported by the Gregory Group, average new home pricing is $605,160 in this Lincoln submarket.								
4	Campus Oaks - Village CO-7 NEC Woodcreek Rd & Crimson Ridge Roseville Placer County	Lennar Homes BBC Roseville Oaks 2020-151447	Dec-20 Closed Fee Simple Market/Cash to Seller	Finished Traditional 4,725 70	$9,900,000	$141,429	$0	$73,600	$2,890
	Comments: This transaction represents the acquisition of Campus Oaks - Village CO-7 by Lennar. The site contained 9.8 acres mapped for 70 lots, typically 4,725 SF. The purchase price was based on finished lots and the seller completed lot development prior to closing. Permits and fees are reported at $73,600 per lot and annual special taxes equate to $2,890 per lot. It is noted that this contract included profit participation, with additional funds due to seller when home are sold; as such the price reported here reflects the minimum price.								

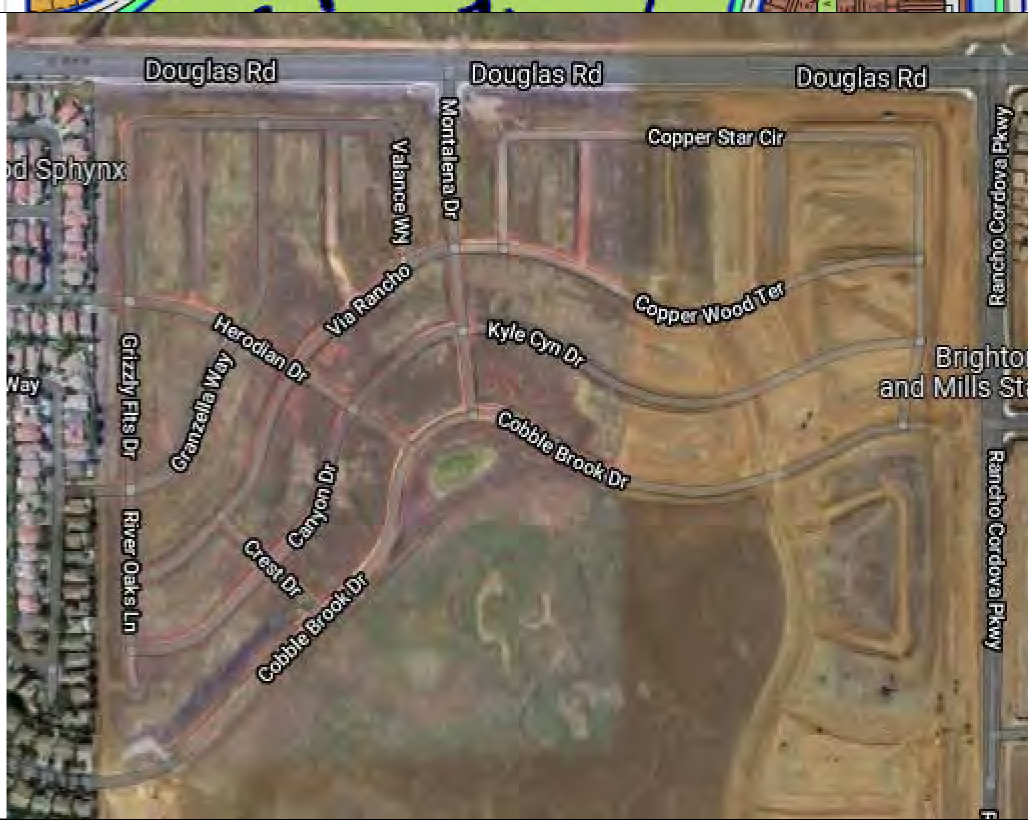
SUMMARY OF COMPARABLE LAND/LOT SALES - SINGLE FAMILY

No.	Property Identification	Grantee / Grantor / Doc No.	Sale Date / Sale Status / Property Rights / Sale Conditions/Financing	Lot Status at Sale / Configuration / Lot Size (±SF) / No. of Lots	Sale Price	Price/Lot	Lot Dev. Cost ($/Lot)	Permits/Fees ($/Lot)	Special Taxes ($/Lot/Year)
5	Laguna Ridge	Meritage Homes	Dec-20	Tentative Map	$7,391,000	$73,910	$80,500	$89,000	$3,010
	Bruceville Rd, S of Poppy Ln	WSI Poppy Ridge LLC	Closed	Traditional					
	Elk Grove	20201217-1913	Fee Simple	5,775					
	Sacramento County		Market/Cash to Seller	100					
	Comments: Transaction represents the sale of 100 mapped lots within the Laguna Ridge Specific Plan area in Elk Grove. Lots are of traditional design, typically 5,775 SF. Total lot development costs were reported at $80,500 per lot and permits and fees were reported at $89,000 per lot, with future special taxes identified at $3,010 per lot.								
6	Solaire - Phase 5	Solaire Roseville LLP	Aug-20	Blue-Top	$5,396,000	$71,000	$39,747	$81,000	$2,610
	NEC Westbrook & Federico Dr	Solaire Community Bldrs	Closed	Traditional					
	Roseville	2020-082424	Fee Simple	4,500					
	Placer County		Market/Cash to Seller	76					
	Comments: This is the sale of 76 tentative mapped lots (blue top condition). Hearthstone was the buyer and was responsible for completing the lot development. The sale property contains no sales conditions that would have affected the sales price. The sale was an all cash transaction.								
7	Mangini Ranch - Village 7	FR 68 Lots, LLC	Feb-20	Tentative Map	$6,371,600	$93,700	$55,500	$47,920	$3,330
	NEC E Bidwell & Savannah Pky	Mangini Impr. Co. Inc.	Closed	Traditional					
	Folsom	20200205-1493	Fee Simple	3,075					
	Sacramento County		Market/Cash to Seller	68					
	Comments: This is the sale of 68 tentative mapped single family lots in Mangini Ranch, Phase 2 by Signature Homes. The sale was reported to be negotiated in late 2019. The property contains no sales conditions that would have affected the sales price. The sale was an all cash transaction.								
8	Montellena - 93 Lots	Pulte Homes	Jan-22	Finished Lots	$17,306,000	$186,086	$0	$89,950	$3,030
	SWC Douglas Rd & Montellena Dr	MDRE Development	Closed	Traditional					
	Rancho Cordova	20220131-1281	Fee Simple	5,679					
	Sacramento County		Market/Cash	93					
	Comments: Represents the sale of 93 finished lots including 55 lots in Village 4 (5,250 SF minimum lot size) and 38 lots in Village 3 (6,300 SF minimum) within the Montelena community in Rancho Cordova. Weighted average lot size was 5,679 SF. Permits and fees are reported at $89,950 per lot and annual special taxes are identified at $3,032 per lot.								

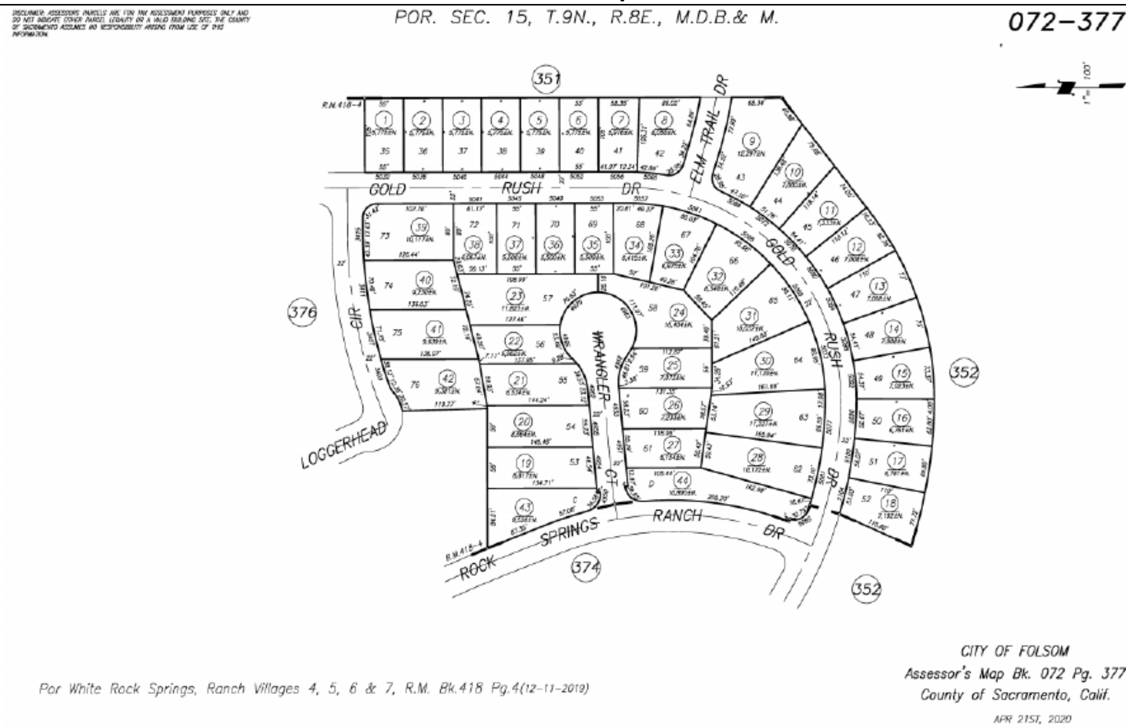
COMPARABLES MAP



Sale 1 – Parcel Map & Aerial

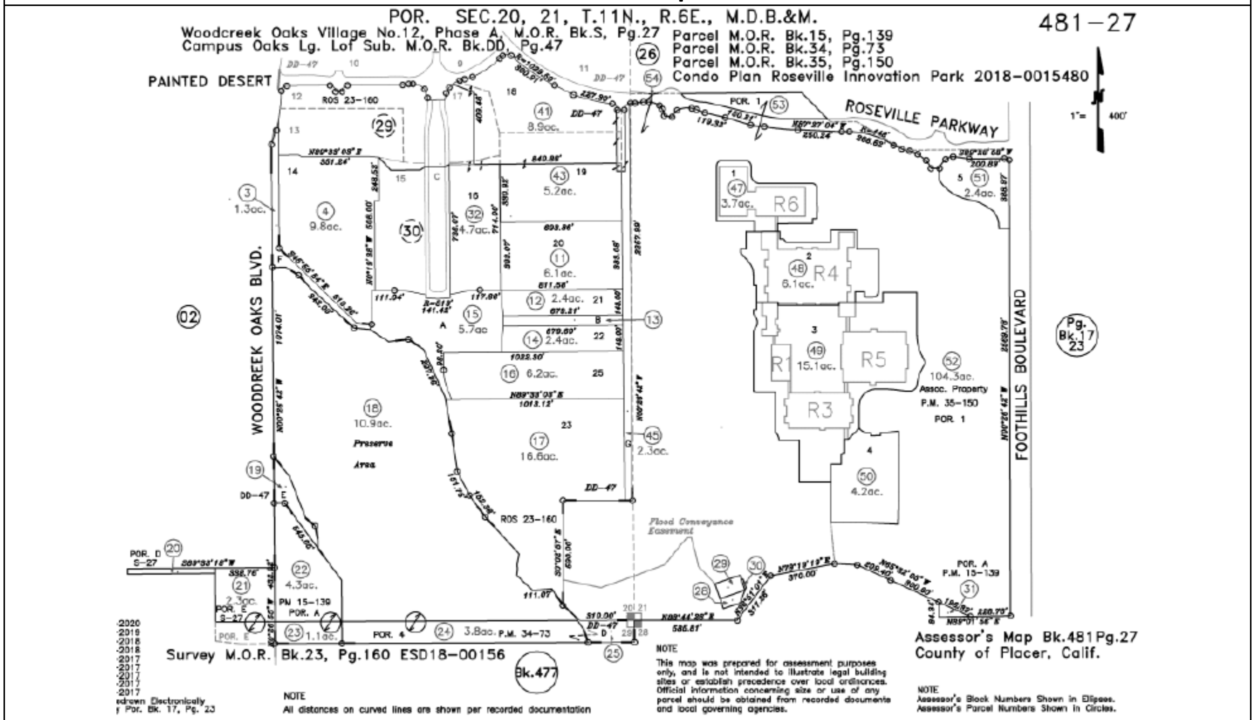


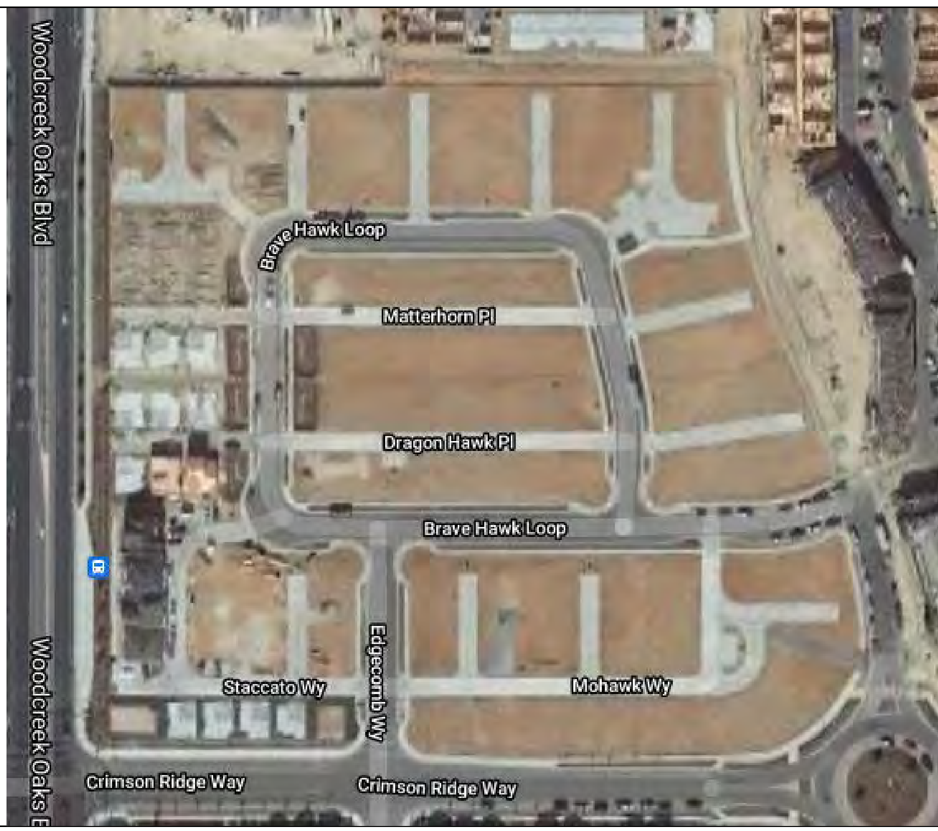
Sale 2 – Parcel Map & Aerial



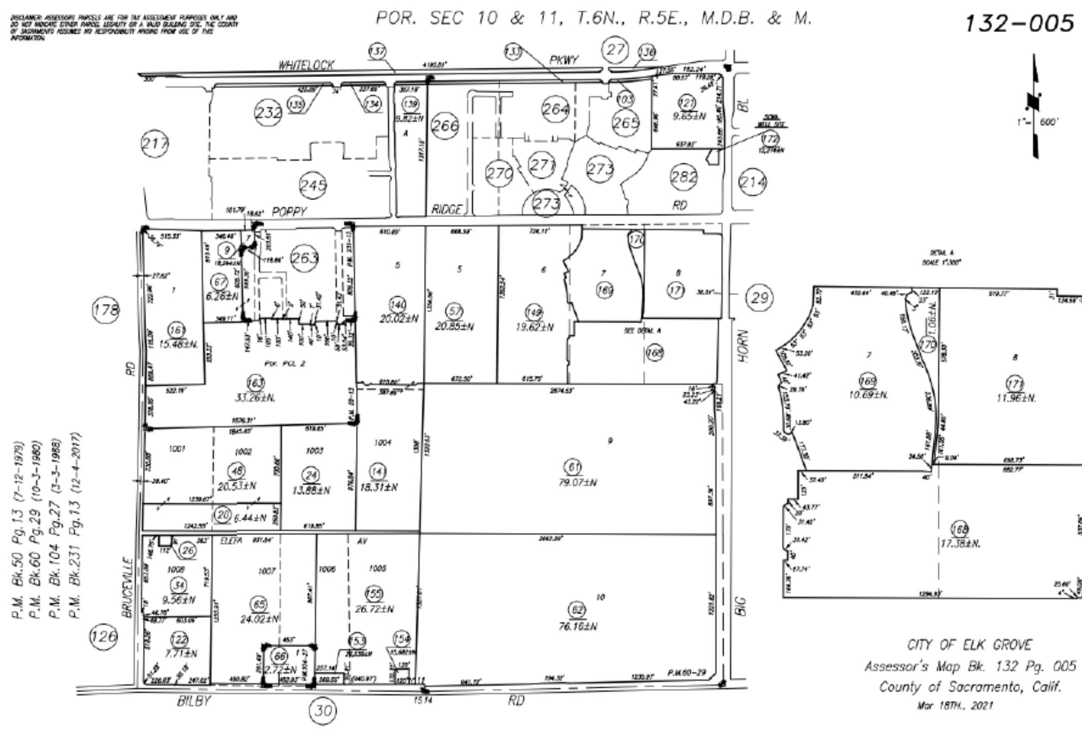
Sale 3 – Parcel Map & Aerial

Sale 4 – Parcel Map & Aerial

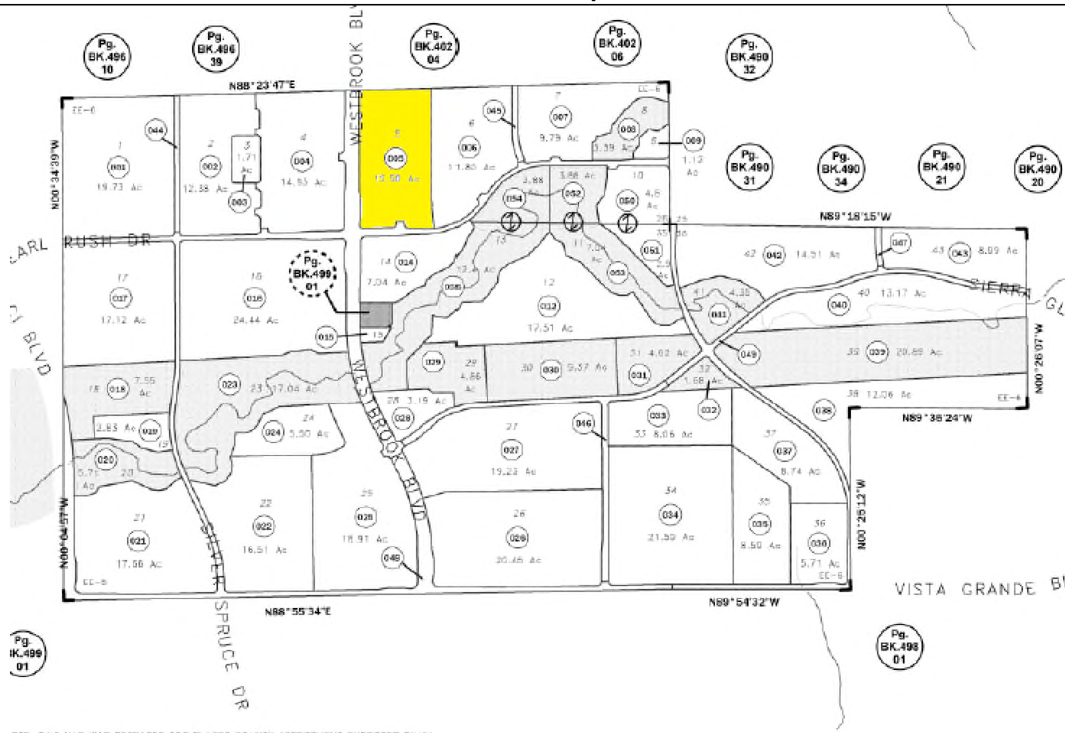


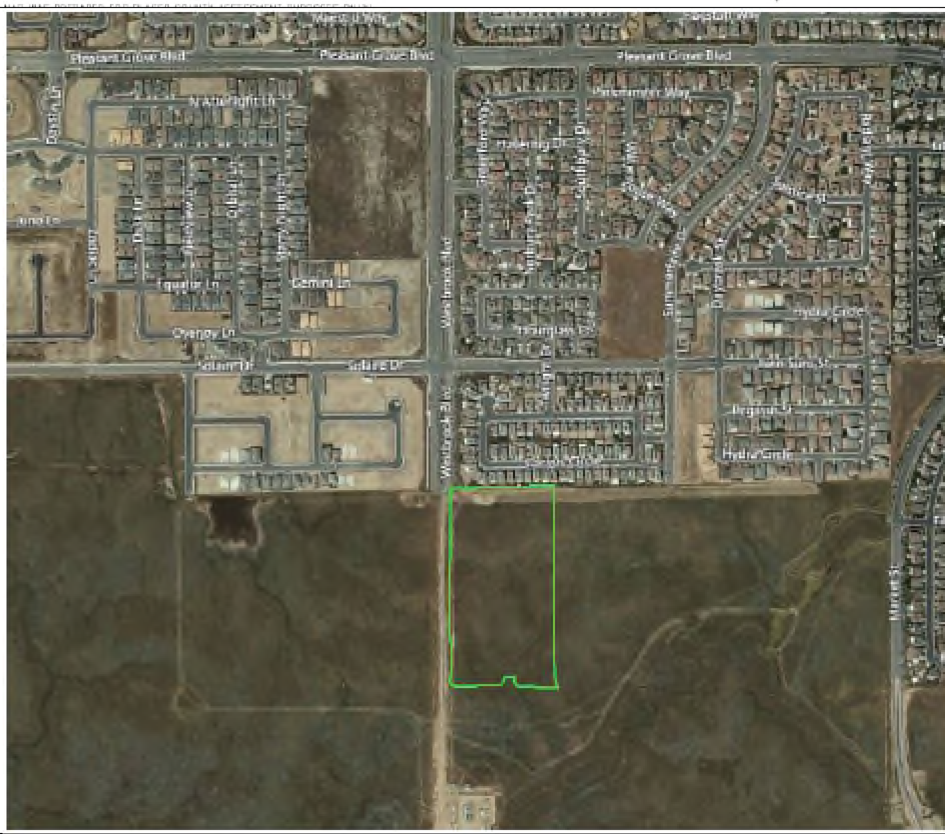


Sale 5 – Parcel Map & Aerial

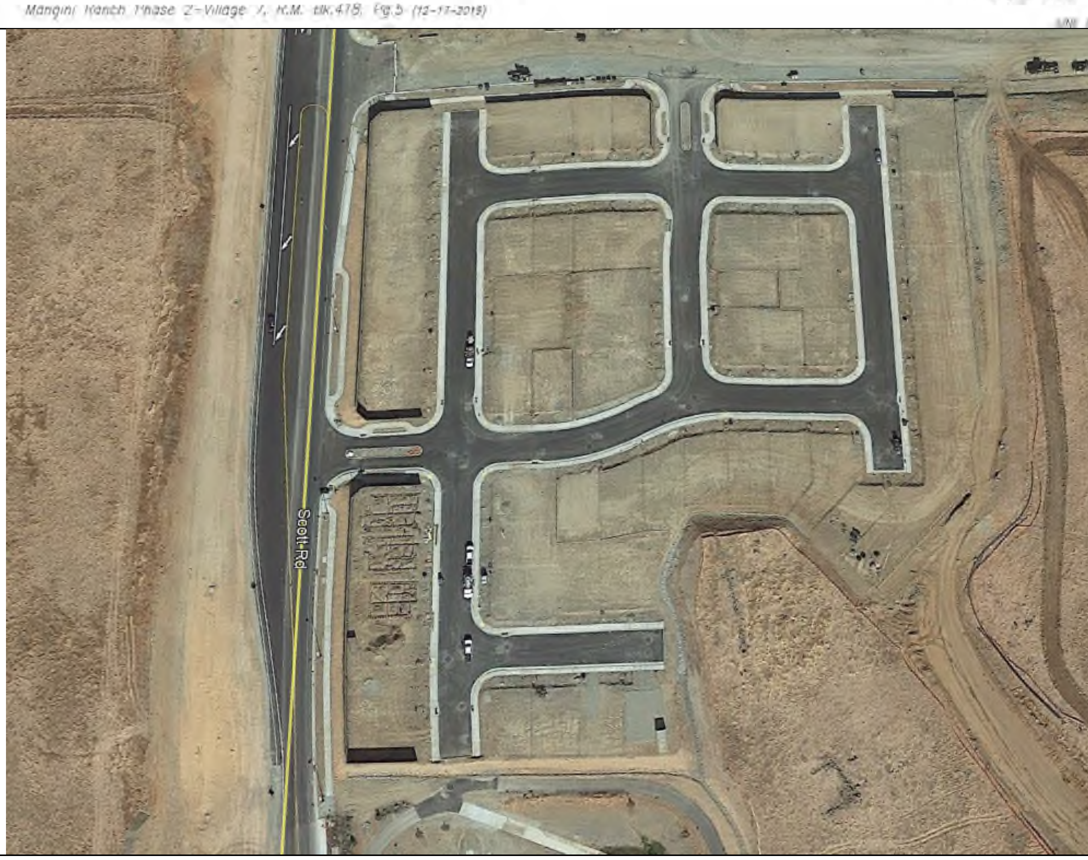


Sale 6 – Parcel Map & Aerial

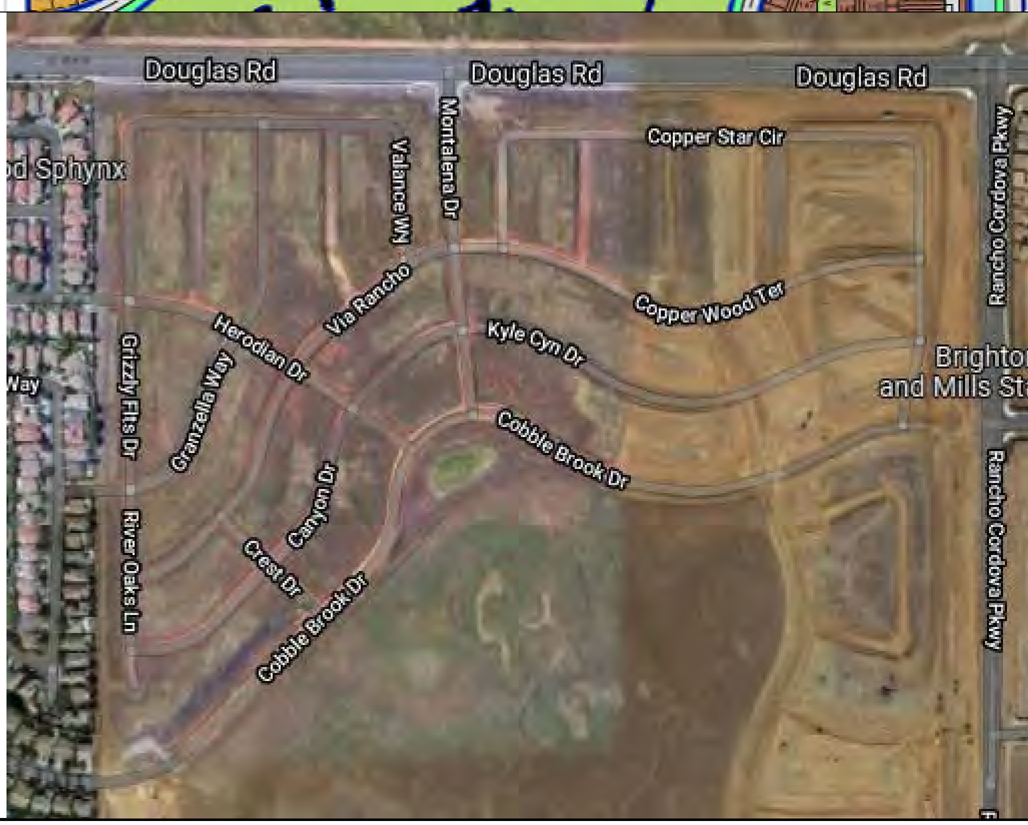




Sale 7 – Parcel Map & Aerial



Sale 8 – Parcel Map & Aerial



SINGLE-FAMILY LOT SALES ANALYSIS

ADJUSTMENT FACTORS

Adjustments are based on our rating of each comparable sale in relation to the subject. If the comparable is superior to the subject, its sale price is adjusted downward to reflect the subject's relative inferiority; if the comparable is inferior, its price is adjusted upward. The adjustable elements of comparison are:

EFFECTIVE SALE PRICE/EXPENDITURES AFTER SALE

For subdivision land, expenditures after sale typically include site development costs, permits and fees, and atypical holding costs such as Special Taxes or association fees. For subdivisions where site development is complete and final subdivision map has recorded, expenditures typically pertain to permits and fees due at building permit and holding costs.

Finished Lot Analysis - We apply adjustments for remaining site development costs (if any) on a dollar-for-dollar basis. That is, comparable sales will be analyzed on a finished lot-basis, where any remaining site development costs are added to the lot price to yield a price that reflects the total consideration.

Sales 5, 6 and 7 are adjusted upward by the reported lot development costs plus a moderate (5%) profit on lot development cost.

Adjustments for Permits and Fees – Adjustments for permits and fees are applied on a dollar-for-dollar basis, since builder buyers typically consider these fees on this basis when making land purchasing decisions. The subject lots will have average fees and permits of $45,000 per lot. Those with lower or higher fees per lot have been adjusted accordingly.

Adjustments for CFD Taxes – We consider the impact of different tax structures (including the impact of the CFD) between the comparable sales and subject. We consider anticipated tax differences at the completed home stage on home value, and considered the impact of home pricing differences on underlying lot value. The adjustment is based on the present value difference in taxes for a 10-year period (ownership time period) and an interest rate of 3.5%.

REAL PROPERTY RIGHTS CONVEYED

This adjustment is generally applied to reflect the transfer of property rights different from those being appraised, such as differences between properties owned in fee simple and in leased fee.

In this analysis, no adjustments are required for property rights.

FINANCING TERMS

This adjustment is generally applied to a property that transfers with atypical financing, such as having assumed an existing mortgage at a favorable interest rate. Conversely, a property may be encumbered with an above-market mortgage which has no prepayment clause or a very costly prepayment clause. Such atypical financing often plays a role in the negotiated sale price.

Adjustments do not apply for financing terms.

CONDITIONS OF SALE

This adjustment category reflects extraordinary motivations of the buyer or seller to complete the sale. Examples include a purchase for assemblage involving anticipated incremental value or a quick sale for cash. This adjustment category may also reflect a distress-related sale, or a corporation recording a non-market price.

Sale 4 included profit participation by the seller and therefore reflects a minimum price. A moderate upward adjustment is applied for this factor.

TIME - MARKET CONDITIONS

Real estate values normally change over time. The rate of change fluctuates due to investors' perceptions of prevailing market conditions. This adjustment category reflects value changes, if any, that have occurred between the date of the sale and the effective date of the appraisal. We consider the effect that home price changes have had on lot value.

The lot sales closed between October 2019 and January 2022. Notably, the most recent sale (Sale 8) indicates that lot prices have continued to increase at a significant pace. Prices of the comparable sales are usually established 3-6 months earlier when lot sale contracts are initially set. As reported earlier new home pricing for the Sacramento MSA has increased substantially over the past two years, with much greater appreciation experienced during the past 12 months, as summarized in the following table.

HOME PRICE CHANGE - AVERAGE $/SF ANALYSIS

				% Change (Total)			% Change Monthly		
	Q3-2019	Q3-2020	Q-32021	2019-2020	2020-2021	2019-2021	2019-2020	2020-2021	2019-2021
Region	$229	$242	$293	5.6%	21.0%	27.7%	0.5%	1.7%	1.2%
Sacramento County	$229	$243	$299	6.1%	23.0%	30.5%	0.5%	1.9%	1.3%

HOME PRICE CHANGE - AVERAGE HOME PRICE ANALYSIS

				% Change (Total)			% Change Monthly		
	Q3-2019	Q3-2020	Q-32021	2019-2020	2020-2021	2019-2021	2019-2020	2020-2021	2019-2021
Region	$522,595	$541,243	$654,527	3.6%	20.9%	25.2%	0.3%	1.7%	1.1%
Sacramento County	$490,542	$510,907	$649,372	4.2%	27.1%	32.4%	0.3%	2.3%	1.3%

As noted, the appreciation of homes has been the greatest over the past year. Much lower appreciation was occurring prior to 2Q 2020. A portion of the price is appreciation is attributed to higher construction costs for homes.

Shown below is a market conditions adjustment pairing to quantify the appreciation net of high construction costs.

MARKET CONDITIONS ADJUSTMENT							
CURRENT			12 MONTHS AGO				
Home Size Analyzed	2,000 SF		Home Size Analyzed	2,000			
							Home Increase
Home Price		$655,000			$541,000		$114,000
					$0	$125 /psf	
				Adj. Price	$541,000		
Less:							
Direct Costs	$100.00 psf	($200,000)	$85.00 psf		($170,000)	(lower 12 months ago)	
Indirect Cost Allocation	17.50% of home price	($114,625)	17.50% of home price		($94,675)		
Developer's Incentive	8.00% of home price	($52,400)	8.00% of home price		($43,280)		
Fee Allocation	$45,000 per home	($45,000)	$45,000 per home		($45,000)		
Residual Finished Value		$242,975			$188,045		
Implied Adjustment					$54,930	over years	
				or	29.2%	over 1 year	
					29.2%	per year	
					2.43%	per month	
				Estimate Applied:	**1.00%**	**per month**	

The analysis above indicates a monthly appreciation of residual lot values of 2.43% over the past year. We believe this is a high mark as builder's will not recognize the full appreciation in lot values during an extreme price appreciation period. Nonetheless, the analysis shows high appreciation of residual lot values over the past 12 months.

Appreciation of home prices in excess of construction costs typically goes to direct increase in lot prices. Based on analysis of lot and home trends, an annual appreciation of 12% annually (1.00% per month) is attributed to lot values. The adjustments are applied through the effective date of value (4/1/2022).

LOCATION

The comparable sales are located is various sub-markets in the region. As a starting point we examine home prices (Gregory Group 1Q-2022) and school districts where the comparable sales are located.

LOCATION ANALYSIS						
Comp.	Submarket	Average Lot Size	Average Net Home Price	Average Home Size	Price per SF	School District
1 & 8	Rancho Cordova	4,011	$651,580	2,342	$278.22	Excellent
2, 7	Folsom	4,826	$815,017	2,443	$333.61	Excellent
3	Lincoln	5,036	$654,068	2,344	$279.04	Good
4, 6	Roseville	5,113	$661,784	2,248	$294.39	Excellent
5	Elk Grove	4,534	$647,339	2,187	$295.99	Excellent
Subject (1)	*Delta Shores (MDR-8)*	*3,116*	*$612,463*	*2,257*	*$271.36*	*Fair*

(1) Project specific projections for MDR-8 based on developer proposed pricing.

In ranking order, Folsom rates at the top followed by Roseville, Lincoln and Elk Grove and Rancho Cordova. South Natomas appears to be the least desirable location as compared to the subject. Based on our analysis, we believe the following location adjustments are appropriate:

Comparable 1: Rancho Cordova, superior location (-5% adjustment)

Comparable 2: Folsom, superior location (-20% adjustment)

Comparable 3: Lincoln, superior location (-10% adjustment)

Comparable 4: Roseville, superior location (-15% adjustment)

Comparable 5: Elk Grove, superior location (-10% adjustment)

Comparable 6: Roseville, superior location (-15% adjustment)

Comparable 7: Folsom, superior location (-20% adjustment)

Comparable 8: Rancho Cordova, superior location (-5% adjustment)

NUMBER OF LOTS/PROJECT SIZE

Generally, there is an indirect relationship between project size and price per lot. For this analysis we have assumed a lot count of 136 lots.

The comparables range in size from 68 to 151 lots. Larger bulk lot acquisitions typically sell at a discount in relation to smaller acquisitions due to associated holding costs. Adjustments are applied based on differences of 20 lots or more based on $125 per lot count variance, which results in downward adjustments to Sales 3, 4, 5, 6 and 7.

BASE LOT SIZE

The subject base lots being analyzed is for minimum lot size of 3,116 square feet, which is smaller than typical. The comparable sales are analyzed relative to the subject's minimum lot size.

Lot size adjustments are applied for variances of over 500 square feet. Sales 1, 2, 4, 5, 6 and 8 have considerably larger minimum lot sizes and warrant downward adjustment. We have considered paired sales to assist with the determination of a lot size adjustment factor, as well as market participant interviews. For each comparable, we estimate and apply a lot size adjustment factor ($15 per square foot as shown in the grid) to the difference in lot area between the comparable and subject.

LOT PREMIUMS

The subject will consist of relatively small lot sizes and minimal lot premiums are anticipated. Several of the comparables have larger lot sizes and are anticipated to generate more significant premiums. Downward adjustments ranging from 3% to 4% are applied to 1, 2, 4, 5 and 8 based on minimum lot size variances versus the subject.

ZONING/ENTITLEMENTS

The subject and comparables have similar zoning and entitlements. Adjustments for this factor do not apply.

LOT TYPE

The subject and the comparable sales have traditional lot types. No adjustments are required for this element.

ADJUSTMENT GRID

The following grid summarize the discussed adjustments.

LAND SALES ADJUSTMENT GRID

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6	Comparable 7	Comparable 8
Name	Delta Shores	Montellena	White Rock Springs	Lincoln Crossing	Campus Oaks	Laguna Ridge	Solaire	Mangini Ranch	Montelena
City		Rancho Cordova	Folsom	Lincoln	Roseville	Elk Grove	Roseville	Folsom	Rancho Cordova
Sale Date		Sep-21	May-21	Feb-21	Dec-20	Dec-20	Aug-20	Feb-20	Jan-22
No. Of Lots	136	125	135	81	70	100	76	68	93
Min. Lot Size	3,116	5,000	5,775	3,600	4,725	5,775	4,500	3,075	5,679
Applicable Lot Size Adj. Factor ($/SF)		$15	$15	$15	$15	$15	$15	$15	$15
Lot Price		$160,000	$199,889	$133,000	$141,429	$73,910	$71,000	$93,700	$186,086
Remaining Site Dev. Costs	$0	$0	$0	$0	$0	$80,500	$39,747	$55,500	$0
Profit on Completing Site Development	5.00%	$0	$0	$0	$0	$4,025	$1,987	$2,775	$0
Equivalent Finished Lot Price		$160,000	$199,889	$133,000	$141,429	$158,435	$112,734	$151,975	$186,086
Permits and Fees	$45,000	$80,000	$60,000	$50,000	$73,600	$89,000	$81,000	$47,920	$89,950
$ Adjustment		$35,000	$15,000	$5,000	$28,600	$44,000	$36,000	$2,920	$44,950
CFD Taxes	$1,530	$3,030	$2,200	$3,100	$2,890	$3,010	$2,610	$3,330	$3,030
$ Adjustment		$12,475	$5,572	$13,057	$11,311	$12,309	$8,982	$14,970	$12,475
Interim Adjusted Finished Lot Price		$207,475	$220,461	$151,057	$181,340	$214,744	$157,716	$169,865	$243,511
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		–	–	–	–	–	–	–	–
Financing Terms		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
% Adjustment		–	–	–	–	–	–	–	–
Conditions of Sale	Market	Similar	Similar	Similar	Profit Partic.	Similar	Similar	Similar	Similar
% Adjustment		–	–	–	5%	–	–	–	–
Preliminary Adjusted Price		$207,475	$220,461	$151,057	$190,407	$214,744	$157,716	$169,865	$243,511
Market Conditions	Apr-22	Sep-21	May-21	Feb-21	Dec-20	Dec-20	Aug-20	Feb-20	Jan-22
Annual % Adjustment		7.0%	11.0%	14.0%	15.0%	16.0%	20.0%	26.0%	2.0%
Cumulative Adjusted Price		$221,998	$244,712	$172,205	$218,968	$249,103	$189,260	$214,030	$248,381
Location - Region		-$11,100	-$48,942	-$17,221	-$32,845	-$24,910	-$28,389	-$42,806	-$12,419
- Specific		–	–	–	–	–	–	–	–
No. Of Lots	136	–	–	-$6,875	-$8,250	-$4,500	-$7,500	-$8,500	-$5,375
Min. Lot Size	3,116	-$28,260	-$39,885	$0	-$24,135	-$39,885	-$20,760	$0	-$38,445
Lot Premiums	Minimal	-$6,660	-$9,788	–	-$6,569	-$9,964	–	–	-$9,935
Entitlements	In Place	–	–	–	–	–	–	–	–
Other - Product Type		–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–
Net $ Adjustment		-$46,020	-$98,616	-$24,096	-$71,799	-$79,259	-$56,649	-$51,306	-$66,174
Net % Adjustment		-21%	-40%	-14%	-33%	-32%	-30%	-24%	-27%
Final Adjusted Price		$175,978	$146,096	$148,110	$147,168	$169,843	$132,611	$162,724	$182,207
Overall Adjustment (After Site Costs/Fees/Bonds)		-15%	-34%	-2%	-19%	-21%	-16%	-4%	-25%

Range	
Min:	$132,611
Max:	$182,207
Average:	$158,092
Median:	$155,417
Indicated Value	$155,000

SALES COMPARISON APPROACH CONCLUSIONS – MDR-8

The eight comparable sales have adjusted values from $132,611 to $182,207 per lot with an average of $158,092 and a median of $155,417 per finished lot. Sales 3 and 7 are most similar in terms of lot size. These comparables indicate adjusted prices ranging from $148,110 to $$162,724 with an average of $155,417. Overall, a value within a range of $150,000 to $160,000 per finished lot is cosnidered well supported.

Based on our analysis, we estimate the benchmark value for the MDR-8 (136 finished lots with minimum size of 3,116 SF) to be as follows.

SALES COMPARISON APPROACH CONCLUSION - BENCHMARK VALUE
$155,000 Per Finished Lot

SALES COMPARISON APPROACH CONCLUSIONS – ALL VILLAGES

Based on the prior analysis, a benchmark value of $155,000 per finished lot is concluded for MDR-8.

For project size, we apply an adjustment based $125 per lot count variance. For lot size, we apply an adjustment based on $15 per square foot for lot size variance.

The concluded finished lot values by village are shown below.

FINISHED LOT VALUE CONCLUSIONS							
	No. Lots	Min. Lot Size (SF)	Benchmark Value	No. of Lots Adjustment	Lot Size Adjustment	Adjusted Value	Conclusion
MDR-5	87	4,000	$155,000	$6,125	$13,260	$174,385	$174,000
MDR-8	**136**	**3,116**	**$155,000**	**$0**	**$0**	**$155,000**	**$155,000**
MDR-7	96	1,829	$155,000	$5,000	-$19,305	$140,695	$141,000
MDR-6	102	1,550	$155,000	$4,250	-$23,490	$135,760	$136,000

SUBDIVISION DEVELOPMENT METHOD - SINGLE-FAMILY LOTS

When analyzing a subdivision, the income approach (yield capitalization) to value is commonly referred to as the "Subdivision Development Method." This technique utilizes discounted cash flow (DCF) analysis to extract the price that an investor/developer can afford to pay for land or finished lots, and still satisfy a profitability requirement in production as a merchant builder or land developer. The subdivision development method is a "house down" analysis that deducts anticipated home construction and carrying costs from anticipated home prices over a projected absorption period. As a discounted cash flow analysis, there are four components (revenue, absorption, expenses and discount rate). The steps required to complete this analysis are as follows:

- Estimate the revenue from the retail sale of completed homes, with consideration to appreciation/inflation factors, if any;
- Estimate an appropriate absorption rate for the sale of homes or lots;
- Estimate all expenses associated with the sell-off of completed homes, including holding and selling costs, as well as direct and indirect construction costs (with consideration for inflationary expense trending);
- Estimate the appropriate profit rate/discount rate for the type of project under consideration, and discount the net cash flows to arrive at a value indication.

The DCF model allows for a complete analysis of the subject's financial performance throughout the projection period. In the following analysis, the appraisers have attempted to model the anticipated revenues and expenses for the project based on assumptions derived from the market. The four components of the discounted cash flow analysis are discussed on the following pages.

In this analysis, we analyze each of the four MDR villages separately. The parameters identified for each village based on the proposed Signature Homes product lines are summarized below:

MDR OVERVIEW - DELTA SHORES IMPROVEMENT AREA 2								
				Preliminary Product Line & Pricing				
Village	No. Res. Lots	Typical Lot Dimensions	Typical Lot Size/SF	Size Range	Average Size	Price Range	Average Price	Average Price/SF
MDR-5	87	50' x 80'	4,000	2,500 - 2,871	2,700	$655,000 - $675,000	$665,805	$247
MDR-6	102	25' x 62'	1,550	1,597 - 1,987	1,779	$499,000 - $549,000	$524,000	$295
MDR-7	96	31' x 59'	1,829	1,622 - 2,214	1,883	$540,000 - $590,000	$564,219	$300
MDR-8	136	41' x 76'	3,116	1,940 - 2,521	2,249	$588,000 - $639,000	$612,463	$272
Totals/Averages	421	--	--	1,597 - 2,871	2,145	$499,000 - $675,000	$591,052	$276

The proposed product lines provide segmentation between the village and are considered reasonable for the market and location of the subject.

The proposed product lines are expected to appeal primarily to first time buyers, empty nesters and young families; MDR-5 would appeal to first move-up buyers as well.

MDR-5 and MDR-8 are planned for traditional detached product. MDR-6 and MDR-7 have very narrow lots in alley-loaded court configurations; the proposed product for these villages appears "attached" from the exterior, but will have narrow (4") air gaps between units.

The JBREC Market study concluded to pricing recommendations that were consistent with the pricing provided by the developer as noted in the prior table. The JBREC report noted the following:

For-Sale Product and Pricing Summary – Discussion

Regarding the for-sale product outlined above, note the following:

- We receive proposed home sizes and pricing from the Developer for all for-sale product types. We assessed these characteristics as well as the Subject location, masterplan setting, schools, etc. for how these factors might impact sales rates at the Subject.
- We believe Developer pricing (developed with their Builder partner, Signature Homes) is generally reasonable given current market factors as well as the specific characteristics of the Subject development. The slightly lower sales rates seen for MDR-6 and MDR-7 is given the very dense and somewhat uncommon product type planned for those parcels ("air gap" small lot detached homes that will live to some degree like attached townhomes). These neighborhoods, however, will still represent relatively attainably priced new home options in the CMA and wider region.
- The product types are also reasonably well-segmented in terms of offering differences in product, home sizes, and pricing, though the MDR-6 and MDR-7 product types are potentially overly similar. Again, we have estimated slightly slower absorption rates for these product types given this factor and those cited above. We believe all estimated absorption rates to be achievable and realistic. The Subject as a whole will represent relative affordability and appears reasonably priced positioned against current key competitors.

We project revenue based on the average home size for each village.

REVENUE

Revenue is generated from the sale of completed homes, lot premiums (if applicable) and model home recapture (if any). Projected revenues are based on the typical product that meets the highest and best use criteria for the subject property relative to the market area.

HOME SALE REVENUE

We have estimated an average home sale price from analysis of comparable new home projects, focusing on projects with generally similar locations and lot sizes. The following tables summarize our analysis and conclusions for each village.

The new home pricing data analyzed was obtained from the most recent The Gregory Group database (1st Quarter 2022). It is noted that average new home prices continued to increase during the first quarter of 2022. A comparison of average detached new home pricing for Sacramento County over the past three quarters based on data obtained from The Gregory Group is summarized below:

Period	Avg. Net Price	Avg. Price/SF
2021 – Q3:	$659,847	$295.59
2021 – Q4:	$687,561	$301.48
2022 – Q1:	$706,767	$311.87

ANALYSIS OF COMPARABLE PROJECTS

In the following analysis we considered qualitative ratings relative to location, lot size and home size. Consideration has been given to the subject's specific Delta Shores location (an unproven new home market) as well as strengths and weaknesses identified in the prior SWOT Analysis section. Based on these factors, most comparable projects identified in the following analysis are rated slightly superior in terms of location.

MDR-5: COMPARABLE PROJECTS & ESTIMATED AVERAGE BASE PRICE

Project	Community	Master Plan	Developer	Type	Lot SF	Average Home SF	Average Base Price	Average Incentive	Avg Net Base Price	Net Price per SF	Ratings: Location	Ratings: Lot Size	Ratings: Home Size	Ratings: Overall
Westward	Natomas	The Cove	Beazer Homes	Detached	3,500	2,402	$634,990	$5,000	$629,990	$262	Sl. Superior	Sl. Inferior	Inferior	**Inferior**
Wavmor	Natomas	Northlake	Lennar Homes	Detached	4,500	2,483	$691,240	$3,000	$688,240	$277	Sl. Superior	Superior	Inferior	**Sl. Inferior**
Crestvue	Natomas	Northlake	Lennar Homes	Detached	4,775	2,558	$716,590	$3,000	$713,590	$279	Sl. Superior	Superior	Inferior	**Superior**
Artisan	Natomas	The Cove	Beazer Homes	Detached	3,600	2,650	$659,100	$5,000	$654,100	$247	Sl. Superior	Sl. Inferior	Similar	**Similar**
Watersyde	Natomas	Northlake	Lennar Homes	Detached	4,000	2,650	$695,990	$3,000	$692,990	$262	Sl. Superior	Similar	Similar	**Sl. Superior**
Lapis	Antelope	Barrett Ranch	Lennar Homes	Detached	5,500	2,691	$665,190	$3,000	$662,190	$246	Similar	Superior	Similar	**Sl. Superior**
MDR-5	**Sacramento**	**Delta Shores**	**Signature Homes**	**Detached**	**4,000**	**2,700**	**$665,805**	**$0**	**$665,805**	**$247**	**N/A**	**N/A**	**N/A**	**N/A**
Bleau	Natomas	Northlake	Lennar Homes	Detached	5,000	2,775	$733,990	$3,000	$730,990	$263	Sl. Superior	Superior	Similar	**Superior**
								Developer Preliminary Pricing:	*$665,805*	*$247*				
								JBREC Pricing:	*$665,805*	*$247*				
								MDR-5: BBG Concluded Average Price:	**$665,000**	**$246**				

MDR-8: COMPARABLE PROJECTS & ESTIMATED AVERAGE BASE PRICE

Project	Community	Master Plan	Developer	Type	Lot SF	Average Home SF	Average Base Price	Average Incentive	Avg Net Base Price	Net Price per SF	Ratings: Location	Ratings: Lot Size	Ratings: Home Size	Ratings: Overall
Everly	Natomas	Natomas Meadows	Tri Pointe Homes	Detached	2,025	1,894	$575,990	$0	$575,990	$304	Sl. Superior	Inferior	Inferior	**Inferior**
Shor	Natomas	Northlake	Lennar Homes	Detached	2,788	1,981	$605,240	$3,000	$602,240	$304	Sl. Superior	Sl. Inferior	Inferior	**Sl. Inferior**
Lakelet	Natomas	Northlake	Lennar Homes	Detached	3,690	2,233	$667,990	$3,000	$664,990	$298	Sl. Superior	Sl. Superior	Similar	**Sl. Superior**
MDR-8	**Sacramento**	**Delta Shores**	**Signature Homes**	**Detached**	**3,116**	**2,249**	**$612,463**	**$0**	**$612,463**	**$272**	**N/A**	**N/A**	**N/A**	**N/A**
Reflections	Elk Grove	Poppy Ridge	Tim Lewis Comm.	Detached	3,375	2,332	$617,900	$6,200	$611,700	$262	Superior	Sl. Superior	Sl. Superior	**Superior**
Westward	Natomas	The Cove	Beazer Homes	Detached	3,500	2,402	$634,990	$5,000	$629,990	$262	Sl. Superior	Sl. Superior	Superior	**Superior**
Sunstone	Antelope	Barrett Ranch	Lennar Homes	Detached	5,000	2,475	$641,740	$1,500	$640,240	$259	Similar	Superior	Superior	**Superior**
Wavmor	Natomas	Northlake	Lennar Homes	Detached	4,500	2,483	$691,240	$3,000	$688,240	$277	Sl. Superior	Superior	Superior	**Superior**
								Developer Preliminary Pricing:	*$612,463*	*$272*				
								JBREC Pricing:	*$612,463*	*$272*				
								MDR-8: BBG Concluded Average Price:	**$610,000**	**$271**				

MDR-7: COMPARABLE PROJECTS & ESTIMATED AVERAGE BASE PRICE

Project	Community	Masterplan	Developer	Type	Lot SF	Average Home SF	Average Base Price	Average Incentive	Avg Net Base Price	Net Price per SF	Ratings: Location	Ratings: Type	Ratings: Home Size	Ratings: Overall
Edgeview	Natomas	The Cove	Beazer Homes	Attached	N/A	1,799	$507,990	$5,000	$502,990	$280	Sl. Superior	Similar	Sl. Inferior	**Similar**
Provence	Natomas	None	Blue Mountain Comm.	Attached	N/A	1,852	$489,323	$5,000	$484,323	$262	Sl. Superior	Inferior	Similar	**Inferior**
The Elements	Elk Grove	Sterling Meadows	Lennar Homes	Detached	2,500	1,862	$623,990	$3,000	$620,990	$334	Sl. Superior	Superior	Similar	**Superior**
Moraga	Antelope	None	D.R. Horton	Detached	3,360	1,833	$491,590	$5,000	$486,590	$265	Sl. Inferior	Superior	Similar	**Inferior**
MDR-7	**Sacramento**	**Delta Shores**	**Signature Homes**	**Attached**	**1,829**	**1,883**	**$564,219**	**$0**	**$564,219**	**$300**	--	--	--	--
Everly	Natomas	Natomas Meadows	Tri Pointe Homes	Detached	2,025	1,894	$575,990	$0	$575,990	$304	Sl. Superior	Superior	Similar	**Superior**
Shor	Natomas	Northlake	Lennar Homes	Detached	2,788	1,981	$605,240	$3,000	$602,240	$304	Sl. Superior	Superior	Superior	**Superior**
								Developer Preliminary Pricing:	$564,219	$300				
								JBREC Pricing:	$564,219	$300				
								MDR-7: BBG Concluded Average Price:	**$550,000**	$292				

MDR-6: COMPARABLE PROJECTS & ESTIMATED AVERAGE BASE PRICE

Project	Community	Masterplan	Developer	Type	Lot SF	Average Home SF	Average Base Price	Average Incentive	Avg Net Base Price	Net Price per SF	Ratings: Location	Ratings: Type	Ratings: Home Size	Ratings: Overall
Portisol	Natomas	None	Watt Communities	Attached	N/A	1,632	$471,210	$3,000	$468,210	$287	Sl. Superior	Similar	Inferior	**Inferior**
Canyon	Citrus Heights	Mitchell Village	KB Home	Detached	2,500	1,641	$505,323	$5,000	$500,323	$305	Sl. Inferior	Superior	Inferior	**Inferior**
Wickford Square	Sac/North Laguna	None	Next Generation Capital	Attached	N/A	1,649	$488,248	$2,000	$486,248	$295	Similar	Similar	Inferior	**Inferior**
Oaks	Citrus Heights	Mitchell Village	KB Home	Detached	3,000	1,758	$515,990	$5,000	$510,990	$291	Sl. Inferior	Superior	Similar	**Similar**
MDR-6	**Sacramento**	**Delta Shores**	**Signature Homes**	**Attached**	**1,550**	**1,779**	**$524,000**	**$0**	**$524,000**	**$295**	--	--	--	--
Edgeview	Natomas	The Cove	Beazer Homes	Attached	N/A	1,799	$507,990	$5,000	$502,990	$280	Sl. Superior	Similar	Similar	**Superior**
Provence	Natomas	None	Blue Mountain Comm.	Attached	N/A	1,852	$489,323	$5,000	$484,323	$262	Sl. Superior	Similar	Superior	**Similar**
The Elements	Elk Grove	Sterling Meadows	Lennar Homes	Detached	2,500	1,862	$623,990	$3,000	$620,990	$334	Sl. Superior	Superior	Superior	**Superior**
								Developer Preliminary Pricing:	$524,000	$295				
								JBREC Pricing:	$524,000	$295				
								MDR-6: BBG Concluded Average Price:	**$520,000**	**$292**				

PROJECTED AVERAGE BASE PRICE

The following table summarizes our projected average base price for each MDR village based on the respective proposed product lines.

PROJECTED AVERAGE BASE PRICE BY VILLAGE									
			Preliminary Product Line & Developer Pricing				JBREC Pricing	Projected Base Price	
Village	No. Res. Lots	Min. Lot Size/SF	Size Range	Average Size	Average Price	Average Price/SF	Average Price	Average Price	Average Price/SF
MDR-5	87	4,000	2,500 - 2,871	2,700	$665,805	$247	$665,805	**$665,000**	**$246**
MDR-8	136	3,116	1,940 - 2,521	2,249	$612,463	$272	$612,463	**$610,000**	**$271**
MDR-7	96	1,829	1,622 - 2,214	1,883	$564,219	$300	$564,219	**$550,000**	**$292**
MDR-6	102	1,550	1,597 - 1,987	1,779	$524,000	$295	$524,000	**$520,000**	**$292**
Totals/Averages	421	--	1,597 - 2,871	2,145	$591,052	$276	$591,052	**$585,879**	**$273**

As summarized above, JBREC concluded that the developer pricing was reasonable and their pricing recommendations are consistent with developer's preliminary pricing. Based on our analysis, the developer pricing and JBREC recommendations appear reasonable. Our projected average base prices are 0.1% to 2.5% (weighted average of 0.9%) below the developer's preliminary pricing.

OPTION REVENUE

For the subject market segment in an entry-level neighborhood, a builder would likely underwrite its purchase with a standard options allocation.

OPTIONS SURVEY								
Location	Year	Builder Type	Average Base Price	Options Allocation	Option Revenue as % of Base Revenue	Options Cost	Options Cost at % of Option Revenue	Source/Comment
Sacramento	2019	Private	$563,062	$55,010	10%	$38,507	70%	Pro Forma, mid-construction
Lathrop	2019	Private	$499,382	$48,264	10%	$39,563	82%	Pro Forma, pre-construction
Brentwood	2018	Public	$647,865	$48,958	8%	$31,823	65%	Pro Forma, pre-construction
Lincoln	2018	Public	$488,178	$35,000	7%	$21,875	63%	Pro Forma, pre-construction
Sacramento	2018	Private	$464,661	$23,637	5%	$16,546	70%	Pro Forma, pre-construction
Sacramento	2018	Private	$456,571	$22,829	5%	$15,980	70%	Pro Forma, pre-construction
Santa Rosa	2018	Private	$606,500	$21,250	4%	$14,854	70%	Pro Forma, pre-construction
Stockton	2017	Private	$434,030	$24,000	6%	$18,000	75%	Pro Forma, pre-construction
Folsom	2017	Private	$572,857	$40,000	7%	$30,000	75%	Pro Forma, pre-construction
Folsom	2017	Private	$488,784	$20,932	4%	$14,652	70%	Pro Forma, pre-construction
Folsom	2017	Private	$682,388	$40,000	6%	$26,000	65%	Pro Forma, pre-construction
Fairfield	2017	Private	$510,224	$10,204	2%	$8,164	80%	Pro Forma, pre-construction

We utilize an estimate of 3% of base of base revenue for average options, consistent with the projected option revenue provided by Signature Homes and estimated in the JBREC report.

LOT PREMIUMS

Given the relatively high density and smaller lot sizes, no lot premium revenue is recognized on our projections.

MODEL RECAPTURE

We estimate the typical product line will have three models. Builders typically recapture around 30% to 50% of model expenses. The difference between model costs and recapture represents furniture costs (which are not real estate), upgrade depreciation and sale office conversion costs. We estimate model recapture at 35% of model upgrade costs. Revenue from model recapture is reflected in the last period of sales. As shown later, we estimate model upgrades to cost $100,000 per model for MDR-5 & MDR-8, $90,000 for MDR-7 and $80,000 for MDR-6.

CONSTRUCTION COSTS

HOME CONSTRUCTION DIRECT COST

Direct construction costs pertain to the labor and materials to build the project. There is typically an inverse relationship between size and cost, with larger homes having lower unit costs. The following cost comparables are used to estimate direct construction costs by product line.

DIRECT CONSTRUCTION COST COMPARABLES

Comp Data	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Current BBG Projection	
City/Area	Sacramento	Woodland	Lathrop	Rancho Cordova	Elk Grove		
Builder Type	Private	Private	Private	Private	Private		
Product Type	Detached	Detached	Detached	Detached	Detached		
No. of Lots	93	72	90	152	122		
Year	2021	2021	2020	2021	2021		
< 1,250							
1,250 - 1,500						$/SF	Village
1,500 - 1,750	$86.88	$99.40		$95.00	$91.00	$100.00	MDR-6
1,750 - 2,000		$97.34		$90.00	$89.00	$100.00	MDR-7
2,000 - 2,250	$83.00	$92.19		$90.00			
2,250 - 2,500	$81.55		$92.29		$87.00	$95.00	MDR-8
2,500 - 2,750			$84.11		$85.00	$90.00	MDR-5
2,750 - 3,000			$80.09		$84.50		
3,000 - 3,250			$78.44		$84.00		

Home construction prices have been escalating due to material shortage and labor. Cost comparables 2, 4 and 5 are the most current costs and reflect these increases.

INDIRECT HOME CONSTRUCTION COSTS

To estimate the indirect construction costs we have considered the following market data.

INDIRECT CONSTRUCTION COST COMPARABLES					
Comp Data					
	Comp 1	Comp 2	Comp 3	Comp 5	
City/Area	Sacramento	Woodland	Lathrop	Dublin	
No. of Lots	93	72	90	139	
Plan Range (SF)	1,700 to 2,200	1,447 - 1,924	1,800 - 2,700	1,800 - 2,700 SF	
Avg. Home Size (SF)	2,000	1,800	2,248	2,300	
Avg Home Price	$450,000	$425,000	$450,000	$1,010,000	BBG
Year	2021	2021	2020	2018	Projection
Average Direct Cost/SF	$83.00	$97.00	$85.92	$89.47	Varies
Sales Commissions	3.60%	3.20%	4.30%	3.56%	3.50%
Title, Escrow, Closing	–		0.96%	0.02%	0.25%
Warranty	0.90%	1.20%	0.34%	1.00%	1.00%
General/Administrative	4.00%	2.69%		1.50%	3.00%
Marketing/Model	2.00%	0.94%	1.76%	0.47%	1.50%
Master Marketing Fee	–		0.98%	0.50%	–
Other Indirects					
Architectural/Engineering			0.10%	0.32%	0.50%
Insurance	–		1.01%	0.65%	1.00%
Contingency				0.98%	1.00%
Other	6.90%	6.65%	2.05%	1.92%	4.00%
Subtotal	6.90%	6.65%	3.16%	3.86%	6.50%
Total Indirects	17.40%	14.68%	11.50%	10.89%	15.75%

All percentages based on total revenue

SALES COMMISSIONS, CLOSING COSTS AND WARRANTY

Sales commissions, closing costs and warranty expenses typically are non-financeable and are paid at home closing. Sales commissions include both internal commissions and broker co-op. We estimate sales commissions at 3.5% of gross revenue. Closing and warranty expenses were previously estimated at 0.25% and 1.00%, respectively.

GENERAL ADMINISTRATION & OVERHEAD COSTS

This category includes all salaries for internal professionals (construction supervisors, support staff, etc.) and office overhead and supplies. We apply an estimate of 3.0%. This expense is spread evenly over the sell-off period.

MARKETING

Like previously discussed, we estimate marketing expenses at 1.50% of gross sales (which includes master marketing, if any). This expense is spread evenly over the sell-off period.

OTHER INDIRECT COSTS

Other indirect items (not including indirect costs that have been considered separately) are the costs and fees incurred in developing the project and during the construction cycle, which may include architectural and engineering, insurance/bonds, common costs, field overhead and project coordinator fees. As previously discussed, we estimate other indirect costs at 6.50% of the anticipated sale price, which is spread evenly over the sell off period.

BUILDING PERMITS AND FEES

Like previously discussed, permits and fees vary by product type and on average are estimated to be $45,000 per home for the MDR villages.

OPTION COSTS

Like previously discussed, there is strong demand for lots and the market is expanding. A builder in this competitive environment would likely underwrite its purchase with a standard options allocation. Based on the prior survey presented, we estimate options costs at 65% of option revenue.

REAL ESTATE TAXES

The subject's taxes are estimated based on the current tax rate of around 1.1167% applied to the estimated market value. Taxes have been applied to the remaining unclosed lots each quarter based on the final value estimate.

As vacant finished lots, annual direct levies for the subject are $671 per lot and this amount is used our projections. In addition, for each unit we consider the Special Taxes for the CFD. The reported average maximum Special Tax is $1,530 per lot for the MDR component, as was discussed in the *Property Taxes* section of this report.

The direct levy and Special Tax amounts are adjusted to a quarterly basis and applied to the unclosed beginning period inventory.

HOA

As previously discussed, the Master Developer plans to create an HOA for the MDR component of the subject and provided a fee estimate of $100 per unit monthly. This expense is applied to the units remaining in inventory each period.

SITE DEVELOPMENT COSTS

In this section, we consider the subject as if all site development including in-tract costs are completed. Therefore, an allocation for site development is not needed.

CHANGES IN EXPENSES

While the "all items less food and energy" CPI index as of December 2021 rose to 4.9% over the past 12 months, reflecting the largest 12 month increase in at least 13 years. Builders have been reporting even higher direct cost increases over the last 12 months, attributable to increases in labor costs (labor shortage) and materials. As the market adjusts, we expect lesser increases over the next 12-24 months.

Given the relatively short duration of the sell-out of the four villages (around 2-3 years), we have utilized a 4% annual increase in cost.

PRICE CHANGES

Since the beginning of summer in 2020 homes prices have been rising rapidly. As of the 4th Quarter 2021, The Gregory Group reported an average new home price increase of 20% over the prior 12 months. Prices started to moderate in the 4th quarter. Industry projections are less favorable moving forward due to the recent spike in mortgage interest rates in March/April 2022.

During up markets, market participants will generally speculate with some price trending. The size of the project also matters. Given the current mortgage interest rate environment, it is our opinion that any appreciation of the next 12-24 months will likely be offset by incentives provided by builders (rate buy-downs or higher general incentives).

Based on these factors, we project 0% price appreciation during the first 18 months (six quarters), with 4% annual appreciation reflected thereafter.

ABSORPTION AND TIMING

Based on discussion and analysis presented in the prior *Residential Market Analysis* section*,* we project absorption rates at 4 units per month (12 units per quarter) for MDR-5, MDR-7 and MDR-8 and 3 units per month (9 units per quarter) for MDR-6.

CLOSING PROJECTIONS

The typical time required for the construction of units has been approximately three to six months from start of construction to closing. It is assumed that closings will occur within three to six months beyond the date of sale. The discounted cash flow analysis reflects close of escrow of homes occurring in the period following the period of sale. The premise is that the builder constructs efficiently as homes are sold.

DISCOUNT RATE/DEVELOPER PROFIT

The final element in the discounted cash flow analysis is the discount rate that is applied to the individual cash flows. Discount rates applied typically in one of two ways: (1) an overall discount rate (IRR) inclusive of profit and the cost of funds of money; or (2) a bifurcated discount rate that is net of profit and represents the cost of funds of money only. The latter may be applied with a profit net of debt only, where the discount rate represents the cost of debt only, or it may be applied with a profit net of debt and equity, where the discount rate represents the blended cost of debt and equity.

Both the overall discount rate and bifurcated models are typical in the market. However, one shortcoming of the overall discount rate (IRR) methodology is the IRR skews upward significantly for smaller projects, particularly those less than 75 lots. For instance, Project A may contain 50 lots and Project B may contain 125 lots, and both may achieve the same profit per home, but an overall discount rate (IRR) would show Project A yielding an IRR of 25% while Project B may be 20%. This phenomenon was discussed in a featured article of The Appraisal Journal titled “The Trouble with Rates in the Subdivision Development Method to Land Valuation,” (Curry, 2013).

In this analysis we utilize a bifurcated discount rate in this report (net of debt of equity). We also calculate the implied IRR based on the estimated profit and discount rate, as a test of reasonableness and additional support only.

Interviews with home builders provide support for a profit range from 8-10% of home price, as supported by the following profit survey. Note that the profit survey about was based on respondents of suburban area projects. Urban projects typically require much higher profits, as capital outlays for construction are nearly double that of suburban projects.

PROFIT (INCENTIVE) SURVEY by BBG – Sacramento/San Francisco

Pro Forma (based on market acquisition)	Area	Expectation
Public builder acquiring 300 +/- unimproved lots, multiple product lines (2018)	East Bay Area	13.8% net profit
Private builder acquiring 200 +/- townhome lots at t-map (2018)	North Bay Area	10.3% net of debt and equity
Private builder acquiring 70 +/- finished lots (2018)	Sacramento MSA	9.9% net profit from production homes averaging $455K; 6.69% net profit after equity
Private builder acquiring 30 +/- finished lots (2018)	Sacramento MSA	11.3% net profit from production homes averaging $465K; 8.34% net profit after equity
Private builder acquiring 35 +/- finished lots (2017)	Sacramento MSA	14.3% net profit from production homes averaging $575K
Private builder acquiring 15 +/- finished lots (2017)	Sacramento MSA	11.4% net profit from production homes averaging $680K
Private builder acquiring 15 +/- unimproved lots (2016)	Sacramento MSA	6.28% net profit from production homes averaging $475K, including profit associated with completing site development
Private builder acquiring 90+ finished lots (2016)	Mountain House/Lathrop	12.4% net profit before upgrades from production homes averaging $475K, plus 0.9% after upgrades. After profit participation, 10.4% net profit before upgrades, plus 0.9% after upgrades
Private builder acquiring 40+ finished lots (2016)	Sacramento MSA	6.5% net profit before upgrades from production homes averaging $465K, plus 1.6% after upgrades
Public builder acquiring 100+ finished lots (2016)	Sacramento MSA	9.34% net profit before upgrades from production homes averaging $350K, plus 1.2% after upgrades

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Note: Net profit implies net of debt financing only (some builders do not utliize or report equity financing), unless otherwise specified

The reported profit expectations above are net of debt financing but before equity financing (unless otherwise noted). Based on the subject characteristics, we've estimate profit from 8.0% - 9.0% net of debt and equity financing (or before accounting for the time value of money). Typical debt financing is summarized as follows:

COST OF FUNDS SURVEY by BBG – Northern California

Source	Area	Expectation
Private Builder Pro Forma using Regional Bank (2018)	Sacramento MSA	5.50% plus one point for lender, 12.0% equity with 1.6X
Private Builder Pro Forma using National Bank (2017)	Sacramento MSA	4.2% plus 0.7 point
Private Builder Pro Forma using National Bank (2017)	Sacramento MSA	70% LTV or 80% LTC on completed homes at 5.25% interest, plus one point
Private Builder Pro Forma using Regional Bank (2016)	Manteca/Lathrop	65% LTV on finished lot acquisition, 75% LTC on vertical, at 5.0% interest, points not reported
Private Builder (anonymous) using National Bank (2016)	Secondary market in San Joaquin County	Prime plus 1%, develoment and construction in one loan based on the lesser of 75% Loan to Retail Value or 83% Loan to Total Cost. Plus 1.25 points.
Private Builder Pro Forma using Regional Bank (2016)	San Francisco Bay Area and Sacramento	3.94% plus 1.25 points, 75% LTC
Loan Executive (anonymous) - Regional Bank (2015)	San Francisco Bay Area and Sacramento	Prime plus 1.5% to 2.0%. Higher rates are typical for smaller builders and projects. A 1.5% spread would be typical for a 50-lot subdivision with an experienced developer. Given really good loan terms (sub 50% LTV), a strong guarantor, market competition, etc., would likely go as low as Prime plus 1.0%. Committment fee is 1.0% to 2.0%.

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Equity financing is typically paid on a waterfall basis. Preferred returns typically range from 8% to 20% and come with minimum IRR expectations. Private equity requirements vary based on project size and type. Smaller projects may rely on private equity financing based on a preferred return only (reflecting a minor premium on rates expected from “safe” commercial investments such as low-risk self-storage facilities), while larger projects—such as master planned Community—may require a preferred return, as well as multiples of 2X or 3X, in addition to project performance requirements such as sales rate (3+/month) and unleveraged IRR requirements (25+%).

Assuming typical loan costs, we estimate a discount rate (cost of funds) of 6.0% for the subject.

At the estimated bifurcated variables, our analysis yields overall discount rates (IRRs) ranging from 17% to 22%, which are considered to be within reason.

As a test of reasonableness, we compare the inferred overall discount rate (IRRs) with overall discount survey data in the market. We’ve considered the PwC Real Estate Investor Survey, Realty Rates and propriety BBG surveys for determination of the discount rate.

PUBLISHED SURVEYS

Survey	Rate	Comment
PwC Real Estate Investor Survey 4th Quarter 2021	10% - 30%, with an average of 16.8%	Up 120 basis points from 2nd Quarter 2021
Realty Rates 4th Quarter 2021	15.29%- 33.1%, 23.22% average (Pro-Forma Rates)	California/Pacific Islands Region Subdivisions/PUDs 100-500 units Site-Built Residential

Further support for an appropriate yield rate is from the opinions of market participants. A discount rate survey (completed by BBG, Inc.) is presented below. Note that most of the properties below represented unimproved projects with higher risk (in this section, we are analyzing the subject on a finished lot basis).

IRR SURVEY by BBG – Northern California

Pro Forma (based on market acquisition)	Area	Expectation	
Private Builder acquiring 200+ townhome lots at t-map	North Bay Area	22.90%	One product line, 5+ years of expected sales
Land Banker completing site improvements and selling 300 finished lots (three villages) on rolling takedown at 3 lots per month (2018)	SE Bay Area/Mt. House	12.60%	All cost overruns guaranteed by builder-buyer
Private Builder acquiring 300 +/- unimproved lots w/ imp. plans (2018)	SE Bay Area/Mt. House	24.10%	Three product lines
Private Builder acquiring 300 +/- unimproved lots w/ imp. plans (2018)	East Bay Area	22.30%	Three product lines
Private Builder acquiring 70 +/- unimproved lots no imp. plans (2018)	Sacramento Area	19.04%	Price not finaled; price likely to be adjusted downward for higher IRR
Private Builder acquiring 30 +/- unimproved lots w/ imp. plans (2018)	Sacramento Area	26.34%	
Private Builder acquiring 10 +/- unimproved lots, no imp. plans (2016)	San Francisco Bay Area	24.02%	
Private Builder acquiring 200+ unimproved lots, no imp. plans (2016)	San Francisco Bay Area	24.12%	Two product lines
Private Builder acquiring 130+ blue-top lots (2015)	South Bay Area	21.41%	

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The calculated IRRs for the neighborhood tested are reasonable relative to market data.

CONCLUSION

A summary of the DCF analyses is provided on the following page, followed by the full discounted cash flow analysis per village.

SUMMARY OF DISCOUNTED CASH FLOWS

			MDR-5			MDR-8			MDR-7			MDR-6	
Avg. Home Size (SF)			2,664			2,257			1,904			1,759	
Number of Lots			87			136			96			102	
Revenue		**Single Unit (Static)**	**Single-Unit (from DCF Model)**	**Total from DCF**	**Single Unit (Static)**	**Single-Unit (from DCF Model)**	**Total from DCF**	**Single Unit (Static)**	**Single-Unit (from DCF Model)**	**Total from DCF**	**Single Unit (Static)**	**Single-Unit (from DCF Model)**	**Total from DCF**
Base Home Revenue		$665,000	$665,000	$57,855,000	$610,000	$610,000	$82,960,000	$550,000	$550,000	$52,800,000	$520,000	$520,000	$53,040,000
Appreciated Base Home Revenue			$666,993	$58,028,366		$620,389	$84,372,969		$552,764	$53,065,322		$528,857	$53,943,373
Lot Premium Revenue		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Option Revenue		$19,950	$20,010	$1,740,851	$18,300	$18,612	$2,531,189	$16,500	$16,583	$1,591,960	$15,600	$15,866	$1,618,301
Model Recapture		$1,207	$1,243	$108,182	$772	$828	$112,574	$984	$1,024	$98,337	$824	$883	$90,059
Total Revenue (Gross Sale Proceeds)		$686,157	$688,246	$59,877,398	$629,072	$639,829	$87,016,732	$567,484	$570,371	$54,755,619	$536,424	$545,605	$55,651,734
Expenses													
Sales Commissions	3.5%	$24,015	$24,089	$2,095,709	$22,018	$22,394	$3,045,586	$19,862	$19,963	$1,916,447	$18,775	$19,096	$1,947,811
Closing, Legal and Title	0.25%	$1,715	$1,721	$149,693	$1,573	$1,600	$217,542	$1,419	$1,426	$136,889	$1,341	$1,364	$139,129
Warranty	1.00%	$6,862	$6,882	$598,774	$6,291	$6,398	$870,167	$5,675	$5,704	$547,556	$5,364	$5,456	$556,517
Direct Constructon Costs (Inflation Adjusted)		$239,760	$248,294	$21,601,596	$214,415	$226,647	$30,823,981	$190,400	$197,915	$18,999,858	$175,900	$185,935	$18,965,341
Permits and Fees		$45,000	$45,000	$3,915,000	$45,000	$45,000	$6,120,000	$45,000	$45,000	$4,320,000	$45,000	$45,000	$4,590,000
Model Costs		$3,448	$3,448	$300,000	$2,206	$2,206	$300,000	$2,813	$2,813	$270,000	$2,353	$2,353	$240,000
General and Administrative	3.0%	$20,585	$20,647	$1,796,322	$18,872	$19,195	$2,610,502	$17,025	$17,111	$1,642,669	$16,093	$16,368	$1,669,552
Marketing	1.5%	$10,292	$10,324	$898,161	$9,436	$9,597	$1,305,251	$8,512	$8,556	$821,334	$8,046	$8,184	$834,776
Other Indirects (Construction/Insurance/Contingency)	6.50%	$44,600	$44,736	$3,892,031	$40,890	$41,589	$5,656,088	$36,886	$37,074	$3,559,115	$34,868	$35,464	$3,617,363
Ad Valorem Taxes		$2,100	$2,905	$252,751	$1,762	$3,369	$458,230	$1,702	$2,519	$241,786	$1,494	$2,858	$291,480
Direct Levies & CFD Taxes	$671 /yr	$671	$928	$80,744	$671	$1,283	$174,550	$671	$993	$95,308	$671	$1,283	$130,912
Special Taxes		($1,530)	$2,116	$184,110	($1,530)	$2,927	$398,004	($1,530)	$2,264	$217,319	($1,530)	$2,927	$298,503
HOA	$1,200 /yr	$1,200	$1,638	$142,500	$1,200	$2,250	$306,000	$1,200	$1,750	$168,000	$1,200	$2,250	$229,500
Option Costs		$13,006	$13,006	$1,131,553	$12,098	$12,098	$1,645,273	$10,779	$10,779	$1,034,774	$10,313	$10,313	$1,051,896
Remaining Site Development Costs		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Profit Participation		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Implied Developer's Incentive		$54,893	$55,060	$4,790,192	$50,326	$51,186	$6,961,339	$51,074	$51,333	$4,928,006	$48,278	$49,104	$5,008,656
Implied Cost of Funds		N/Ap	$19,359	$1,684,247	N/Ap	$34,347	$4,671,147	N/Ap	$12,737	$1,222,730	N/Ap	$23,863	$2,434,015
Total Costs		$466,618	$500,154	$43,513,382	$425,226	$482,086	$65,563,658	$391,487	$417,935	$40,121,790	$368,165	$411,818	$42,005,451
Value Indication (from Overall IRR Analysis)		$219,539	$188,092	$16,364,016	$203,846	$157,743	$21,453,074	$175,997	$152,436	$14,633,829	$168,258	$133,787	$13,646,283
	Total		**$16,365,000**			**$21,455,000**			**$14,635,000**			**$13,645,000**	
			(rounded)			(rounded)			(rounded)			(rounded)	
	Total		$188,103	**$16,365,000**		$157,757	**$21,455,000**		$152,448	**$14,635,000**		$133,775	**$13,645,000**
			(from rounded total)	**(rounded)**		(from rounded total)	**(rounded)**		(from rounded total)	**(rounded)**		(from rounded total)	**(rounded)**
Internal Rate of Return			20.0%			20.0%			20.0%			20.0%	
Value Indication (from Bifurcated Analysis)			$186,379	**$16,215,000**		$167,059	**$22,720,000**		$147,396	**$14,150,000**		$136,863	**$13,960,000**
			(from rounded total)	**(rounded)**		(from rounded total)	**(rounded)**		(from rounded total)	**(rounded)**		(from rounded total)	**(rounded)**
Internal Rate of Return			20.57%			17.26%			21.96%			18.91%	
Profit Net of Debt and Equity			8.0%			8.00%			9.00%			9.0%	
Discount Rate Net of All Proft			6.0%			6.0%			6.0%			6.0%	

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SUBDIVISION DEVELOPMENT METHOD - MDR-5

REVENUE AND SALES	Quarter:	0	1	2	3	4	5	6	7	8	9	10
SALES		0	8	12	12	12	12	12	12	7	0	0
UNSOLD INVENTORY		87	79	67	55	43	31	19	7	0	0	0
CLOSE OF ESCROW		0	0	8	12	12	12	12	12	12	7	0
UNCLOSED INVENTORY			87	87	79	67	55	43	31	19	7	0
		Total										
CONTRACTED BASE HOME REVENUE (BEFORE APPRECIATION)		$57,855,000	$5,320,000	$7,980,000	$7,980,000	$7,980,000	$7,980,000	$7,980,000	$7,980,000	$4,655,000	$0	$0
	Quarterly Rate of Apprecation		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%
	Adjustment Factor		1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0100	1.0201	1.0303	1.0406
APPRECIATED BASE HOME REVENUE		$58,028,366	$5,320,000	$7,980,000	$7,980,000	$7,980,000	$7,980,000	$7,980,000	$8,059,800	$4,748,566	$0	$0
APPRECIATED CLOSING BASE HOME REVENUE		$58,028,366	$0	$5,320,000	$7,980,000	$7,980,000	$7,980,000	$7,980,000	$7,980,000	$8,059,800	$4,748,566	$0
LOT PREMIUM REVENUE		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
OPTION REVENUE	$19,950	$1,740,851	$0	$159,600	$239,400	$239,400	$239,400	$239,400	$239,400	$241,794	$142,457	$0
MODEL RECAPTURE		$108,182	$0	$0	$0	$0	$0	$0	$0	$0	$108,182	$0
TOTAL REVENUE		$59,877,398	$0	$5,479,600	$8,219,400	$8,219,400	$8,219,400	$8,219,400	$8,219,400	$8,301,594	$4,999,204	$0
EXPENSES AND CASH FLOWS												
PAID AT CLOSING												
SALES COMMISSIONS (% OF TOTAL REVENUE)	3.50%	$2,095,709	$0	$191,786	$287,679	$287,679	$287,679	$287,679	$287,679	$290,556	$174,972	$0
CLOSING, LEGAL AND TITLE (% OF TOTAL REVENUE)	0.25%	$149,693	$0	$13,699	$20,549	$20,549	$20,549	$20,549	$20,549	$20,754	$12,498	$0
WARRANTY (% OF TOTAL REVENUE)	1.00%	$598,774	$0	$54,796	$82,194	$82,194	$82,194	$82,194	$82,194	$83,016	$49,992	$0
SUBTOTAL:		$2,844,176	$0	$260,281	$390,422	$390,422	$390,422	$390,422	$390,422	$394,326	$237,462	$0
o FINANCABLE												
DIRECT CONSTRUCTION COSTS		$20,859,120	$2,237,760	$2,557,440	$2,877,120	$2,877,120	$2,877,120	$2,877,120	$2,477,520	$1,518,480	$559,440	$0
	Quarterly Rate of Apprecation		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
	Adjustment Factor		1.0000	1.0100	1.0201	1.0303	1.0406	1.0510	1.0615	1.0721	1.0829	1.0937
APPRECIATED DIRECT CONSTRUCTION COSTS		$21,601,596	$2,237,760	$2,583,014	$2,934,950	$2,964,300	$2,993,943	$3,023,882	$2,629,937	$1,628,016	$605,793	$0
OTHER INDIRECTS (CONSTRUCTION/INSURANCE/ETC.)	6.50%	$3,892,031	$432,448	$432,448	$432,448	$432,448	$432,448	$432,448	$432,448	$432,448	$432,448	$0
BUILDING PERMITS AND FEES (FIXED)		$3,915,000	$360,000	$540,000	$540,000	$540,000	$540,000	$540,000	$540,000	$315,000	$0	$0
MODEL COSTS (FIXED)		$300,000	$300,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
GENERAL ADM & OVERHEAD (% OF TOTAL REVENUE)	3.00%	$1,796,322	$199,591	$199,591	$199,591	$199,591	$199,591	$199,591	$199,591	$199,591	$199,591	$0
MARKETING (% OF TOTAL REVENUE)	1.50%	$898,161	$99,796	$99,796	$99,796	$99,796	$99,796	$99,796	$99,796	$99,796	$99,796	$0
AD VALOREM REAL ESTATE TAXES (% OF TOTAL)	$2,100	$252,751	$45,684	$45,913	$41,899	$35,712	$29,463	$23,150	$16,773	$10,331	$3,825	$0
DIRECT LEVIES		$80,744	$14,594	$14,667	$13,385	$11,409	$9,412	$7,395	$5,358	$3,300	$1,222	$0
SPECIAL TAXES		$184,110	$33,278	$33,444	$30,520	$26,014	$21,461	$16,863	$12,218	$7,526	$2,786	$0
HOA (FIXED)		$142,500	$26,100	$26,100	$23,700	$20,100	$16,500	$12,900	$9,300	$5,700	$2,100	$0
OPTION COSTS	65%	$1,131,553	$103,740	$155,610	$155,610	$155,610	$155,610	$155,610	$157,166	$92,597	$0	$0
SITE DEVELOPMENT COSTS		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SUBTOTAL:		$34,194,767	$3,852,991	$4,130,583	$4,471,900	$4,484,979	$4,498,224	$4,511,635	$4,102,587	$2,794,306	$1,347,562	$0
TOTAL EXPENSES		$37,038,943	$3,852,991	$4,390,864	$4,862,321	$4,875,401	$4,888,645	$4,902,056	$4,493,009	$3,188,631	$1,585,024	$0
NET INCOME/PROJECT RETURN		$22,838,455	($3,852,991)	$1,088,736	$3,357,079	$3,343,999	$3,330,755	$3,317,344	$3,726,391	$5,112,963	$3,414,180	$0
DISCOUNTED CASH FLOW ANALYSIS	**20.00%**		0.95238	0.90703	0.86384	0.82270	0.78353	0.74622	0.71068	0.67684	0.64461	0.61391
		$16,364,016	($3,669,515)	$987,516	$2,899,971	$2,751,116	$2,609,733	$2,475,453	$2,648,277	$3,460,654	$2,200,811	$0
	VALUE CONCLUSION	**$16,365,000**										
	INDICATED VALUE PER LOT	**$188,103**										

SUBDIVISION DEVELOPMENT METHOD - MDR-8

REVENUE AND SALES	Quarter:	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
SALES AND CONSTRUCTION STARTS		0	8	12	12	12	12	12	12	12	12	12	12	8	0	0
UNSOLD INVENTORY		136	128	116	104	92	80	68	56	44	32	20	8	0	0	0
CLOSE OF ESCROW		0	0	8	12	12	12	12	12	12	12	12	12	12	8	0
UNCLOSED INVENTORY			136	136	128	116	104	92	80	68	56	44	32	20	8	0
		Total														
CONTRACTED BASE HOME REVENUE (BEFORE APPRECIATION)		$82,960,000	$4,880,000	$7,320,000	$7,320,000	$7,320,000	$7,320,000	$7,320,000	$7,320,000	$7,320,000	$7,320,000	$7,320,000	$7,320,000	$4,880,000	$0	$0
Quarterly Rate of Apprecation			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Adjustment Factor			1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0100	1.0201	1.0303	1.0406	1.0510	1.0615	1.0721	1.0829
APPRECIATED BASE HOME REVENUE		$84,372,969	$4,880,000	$7,320,000	$7,320,000	$7,320,000	$7,320,000	$7,320,000	$7,393,200	$7,467,132	$7,541,803	$7,617,221	$7,693,394	$5,180,218	$0	$0
APPRECIATED CLOSING BASE HOME REVENUE		$84,372,969	$0	$4,880,000	$7,320,000	$7,320,000	$7,320,000	$7,320,000	$7,320,000	$7,393,200	$7,467,132	$7,541,803	$7,617,221	$7,693,394	$5,180,218	$0
LOT PREMIUM REVENUE		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
OPTION REVENUE	$18,300	$2,531,189	$0	$146,400	$219,600	$219,600	$219,600	$219,600	$219,600	$221,796	$224,014	$226,254	$228,517	$230,802	$155,407	$0
MODEL RECAPTURE		$112,574	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$112,574	$0
TOTAL REVENUE		$87,016,732	$0	$5,026,400	$7,539,600	$7,539,600	$7,539,600	$7,539,600	$7,539,600	$7,614,996	$7,691,146	$7,768,057	$7,845,738	$7,924,195	$5,448,199	$0
EXPENSES AND CASH FLOWS																
PAID AT CLOSING																
SALES COMMISSIONS (% OF TOTAL REVENUE)	3.50%	$3,045,586	$0	$175,924	$263,886	$263,886	$263,886	$263,886	$263,886	$266,525	$269,190	$271,882	$274,601	$277,347	$190,687	$0
CLOSING, LEGAL AND TITLE (% OF TOTAL REVENUE)	0.25%	$217,542	$0	$12,566	$18,849	$18,849	$18,849	$18,849	$18,849	$19,037	$19,228	$19,420	$19,614	$19,810	$13,620	$0
WARRANTY (% OF TOTAL REVENUE)	1.00%	$870,167	$0	$50,264	$75,396	$75,396	$75,396	$75,396	$75,396	$76,150	$76,911	$77,681	$78,457	$79,242	$54,482	$0
SUBTOTAL:		$4,133,295	$0	$238,754	$358,131	$358,131	$358,131	$358,131	$358,131	$361,712	$365,329	$368,983	$372,673	$376,399	$258,789	$0
FINANCABLE																
DIRECT CONSTRUCTION COSTS		$29,160,440	$2,001,207	$2,287,093	$2,572,980	$2,572,980	$2,572,980	$2,572,980	$2,572,980	$2,572,980	$2,572,980	$2,572,980	$2,287,093	$1,429,433	$571,773	$0
Quarterly Rate of Apprecation			1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Adjustment Factor			1.0000	1.0100	1.0201	1.0303	1.0406	1.0510	1.0615	1.0721	1.0829	1.0937	1.1046	1.1157	1.1268	1.1381
APPRECIATED DIRECT CONSTRUCTION COSTS		$30,823,981	$2,001,207	$2,309,964	$2,624,697	$2,650,944	$2,677,453	$2,704,228	$2,731,270	$2,758,583	$2,786,169	$2,814,030	$2,526,374	$1,594,774	$644,289	$0
OTHER INDIRECTS (CONSTRUCTION/INSURANCE/ETC.)	6.50%	$5,656,088	$435,084	$435,084	$435,084	$435,084	$435,084	$435,084	$435,084	$435,084	$435,084	$435,084	$435,084	$435,084	$435,084	$0
BUILDING PERMITS AND FEES (FIXED)		$6,120,000	$360,000	$540,000	$540,000	$540,000	$540,000	$540,000	$540,000	$540,000	$540,000	$540,000	$540,000	$360,000	$0	$0
MODEL COSTS (FIXED)		$300,000	$300,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
GENERAL ADM & OVERHEAD (% OF TOTAL REVENUE)	3.00%	$2,610,502	$200,808	$200,808	$200,808	$200,808	$200,808	$200,808	$200,808	$200,808	$200,808	$200,808	$200,808	$200,808	$200,808	$0
MARKETING (% OF TOTAL REVENUE)	1.50%	$1,305,251	$100,404	$100,404	$100,404	$100,404	$100,404	$100,404	$100,404	$100,404	$100,404	$100,404	$100,404	$100,404	$100,404	$0
AD VALOREM REAL ESTATE TAXES (% OF TOTAL)	$1,762	$458,230	$59,892	$60,191	$56,934	$51,854	$46,722	$41,538	$36,301	$31,010	$25,665	$20,266	$14,813	$9,304	$3,740	$0
DIRECT LEVIES		$174,550	$22,814	$22,928	$21,687	$19,752	$17,798	$15,823	$13,828	$11,812	$9,776	$7,720	$5,643	$3,544	$1,425	$0
SPECIAL TAXES		$398,004	$52,020	$52,280	$49,451	$45,039	$40,582	$36,079	$31,530	$26,934	$22,292	$17,603	$12,866	$8,081	$3,249	$0
HOA (FIXED)		$306,000	$40,800	$40,800	$38,400	$34,800	$31,200	$27,600	$24,000	$20,400	$16,800	$13,200	$9,600	$6,000	$2,400	$0
OPTION COSTS	65%	$1,645,273	$95,160	$142,740	$142,740	$142,740	$142,740	$142,740	$144,167	$145,609	$147,065	$148,536	$150,021	$101,014	$0	$0
SITE DEVELOPMENT COSTS (FIXED)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SUBTOTAL:		$49,797,878	$3,668,188	$3,905,199	$4,210,204	$4,221,425	$4,232,790	$4,244,303	$4,257,391	$4,270,643	$4,284,063	$4,297,650	$3,995,612	$2,819,013	$1,391,398	$0
TOTAL EXPENSES		$53,931,173	$3,668,188	$4,143,953	$4,568,335	$4,579,556	$4,590,921	$4,602,434	$4,615,522	$4,632,356	$4,649,392	$4,666,633	$4,368,284	$3,195,412	$1,650,187	$0
NET INCOME/PROJECT RETURN		$33,085,559	($3,668,188)	$882,447	$2,971,265	$2,960,044	$2,948,679	$2,937,166	$2,924,078	$2,982,640	$3,041,754	$3,101,424	$3,477,454	$4,728,783	$3,798,012	$0
DISCOUNTED CASH FLOW ANALYSIS	**20.00%**		0.95238	0.90703	0.86384	0.82270	0.78353	0.74622	0.71068	0.67684	0.64461	0.61391	0.58468	0.55684	0.53032	0.50507
		$21,453,074	($3,493,512)	$800,405	$2,566,690	$2,435,236	$2,310,367	$2,191,759	$2,078,088	$2,018,768	$1,960,742	$1,904,005	$2,033,195	$2,633,163	$2,014,167	$0
	VALUE CONCLUSION	**$21,455,000**														
	INDICATED VALUE PER LOT	**$157,757**														

SUBDIVISION DEVELOPMENT METHOD - MDR-7

REVENUE AND SALES	Quarter:	0	1	2	3	4	5	6	7	8	9	10	11
SALES AND CONSTRUCTION STARTS		0	8	12	12	12	12	12	12	12	4	0	0
UNSOLD INVENTORY		96	88	76	64	52	40	28	16	4	0	0	0
CLOSE OF ESCROW		0	0	8	12	12	12	12	12	12	12	4	0
UNCLOSED INVENTORY			96	96	88	76	64	52	40	28	16	4	0
		Total											
CONTRACTED BASE HOME REVENUE (BEFORE APPRECIATION)		$52,800,000	$4,400,000	$6,600,000	$6,600,000	$6,600,000	$6,600,000	$6,600,000	$6,600,000	$6,600,000	$2,200,000	$0	$0
	Quarterly Rate of Apprecation		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
	Adjustment Factor		1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0100	1.0201	1.0303	1.0406	1.0510
APPRECIATED BASE HOME REVENUE		$53,065,322	$4,400,000	$6,600,000	$6,600,000	$6,600,000	$6,600,000	$6,600,000	$6,666,000	$6,732,660	$2,266,662	$0	$0
APPRECIATED CLOSING BASE HOME REVENUE		$53,065,322	$0	$4,400,000	$6,600,000	$6,600,000	$6,600,000	$6,600,000	$6,600,000	$6,666,000	$6,732,660	$2,266,662	$0
LOT PREMIUM REVENUE		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
OPTION REVENUE	$16,500	$1,591,960	$0	$132,000	$198,000	$198,000	$198,000	$198,000	$198,000	$199,980	$201,980	$68,000	$0
MODEL RECAPTURE		$98,337	$0	$0	$0	$0	$0	$0	$0	$0	$0	$98,337	$0
TOTAL REVENUE		$54,755,619	$0	$4,532,000	$6,798,000	$6,798,000	$6,798,000	$6,798,000	$6,798,000	$6,865,980	$6,934,640	$2,432,999	$0
EXPENSES AND CASH FLOWS													
PAID AT CLOSING													
SALES COMMISSIONS (% OF TOTAL REVENUE)	3.50%	$1,916,447	$0	$158,620	$237,930	$237,930	$237,930	$237,930	$237,930	$240,309	$242,712	$85,155	$0
CLOSING, LEGAL AND TITLE (% OF TOTAL REVENUE)	0.25%	$136,889	$0	$11,330	$16,995	$16,995	$16,995	$16,995	$16,995	$17,165	$17,337	$6,082	$0
WARRANTY (% OF TOTAL REVENUE)	1.00%	$547,556	$0	$45,320	$67,980	$67,980	$67,980	$67,980	$67,980	$68,660	$69,346	$24,330	$0
SUBTOTAL:		$2,600,892	$0	$215,270	$322,905	$322,905	$322,905	$322,905	$322,905	$326,134	$329,395	$115,567	$0
FINANCABLE													
DIRECT CONSTRUCTION COSTS		$18,278,400	$1,777,067	$2,030,933	$2,284,800	$2,284,800	$2,284,800	$2,284,800	$2,284,800	$1,777,067	$1,015,467	$253,867	$0
	Quarterly Rate of Apprecation		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
	Adjustment Factor		1.0000	1.0100	1.0201	1.0303	1.0406	1.0510	1.0615	1.0721	1.0829	1.0937	1.1046
APPRECIATED DIRECT CONSTRUCTION COSTS		$18,999,858	$1,777,067	$2,051,243	$2,330,724	$2,354,032	$2,377,572	$2,401,348	$2,425,361	$1,905,256	$1,099,605	$277,650	$0
OTHER INDIRECTS (CONSTRUCTION/INSURANCE/ETC.)	6.50%	$3,559,115	$355,912	$355,912	$355,912	$355,912	$355,912	$355,912	$355,912	$355,912	$355,912	$355,912	$0
BUILDING PERMITS AND FEES (FIXED)		$4,320,000	$360,000	$540,000	$540,000	$540,000	$540,000	$540,000	$540,000	$540,000	$180,000	$0	$0
MODEL COSTS (FIXED)		$270,000	$270,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
GENERAL ADM & OVERHEAD (% OF TOTAL REVENUE)	3.00%	$1,642,669	$164,267	$164,267	$164,267	$164,267	$164,267	$164,267	$164,267	$164,267	$164,267	$164,267	$0
MARKETING (% OF TOTAL REVENUE)	1.50%	$821,334	$82,133	$82,133	$82,133	$82,133	$82,133	$82,133	$82,133	$82,133	$82,133	$82,133	$0
AD VALOREM REAL ESTATE TAXES (% OF TOTAL)	$1,702	$241,786	$40,854	$41,058	$37,825	$32,830	$27,785	$22,688	$17,540	$12,339	$7,086	$1,780	$0
DIRECT LEVIES (FIXED)		$95,308	$16,104	$16,185	$14,910	$12,941	$10,952	$8,943	$6,914	$4,864	$2,793	$702	$0
SPECIAL TAXES		$217,319	$36,720	$36,904	$33,997	$29,508	$24,973	$20,392	$15,765	$11,091	$6,369	$1,600	$0
HOA (FIXED)		$168,000	$28,800	$28,800	$26,400	$22,800	$19,200	$15,600	$12,000	$8,400	$4,800	$1,200	$0
OPTION COSTS	65%	$1,034,774	$85,800	$128,700	$128,700	$128,700	$128,700	$128,700	$129,987	$131,287	$44,200	$0	$0
SITE DEVELOPMENT COSTS (FIXED)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SUBTOTAL:		$31,370,163	$3,217,656	$3,445,201	$3,714,869	$3,723,123	$3,731,494	$3,739,983	$3,749,878	$3,215,548	$1,947,165	$885,244	$0
TOTAL EXPENSES		$33,971,055	$3,217,656	$3,660,471	$4,037,774	$4,046,028	$4,054,399	$4,062,888	$4,072,783	$3,541,682	$2,276,561	$1,000,812	$0
NET INCOME/PROJECT RETURN		$20,784,564	($3,217,656)	$871,529	$2,760,226	$2,751,972	$2,743,601	$2,735,112	$2,725,217	$3,324,298	$4,658,079	$1,432,187	$0
DISCOUNTED CASH FLOW ANALYSIS	**20.00%**		0.95238	0.90703	0.86384	0.82270	0.78353	0.74622	0.71068	0.67684	0.64461	0.61391	0.58468
		$14,633,829	($3,064,435)	$790,503	$2,384,387	$2,264,054	$2,149,683	$2,040,983	$1,936,761	$2,250,016	$3,002,639	$879,239	$0
	VALUE CONCLUSION	**$14,635,000**											
	INDICATED VALUE PER LOT	**$152,448**											

UBDIVISION DEVELOPMENT METHOD - MDR-6

REVENUE AND SALES	Quarter:	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
SALES AND CONSTRUCTION STARTS		0	6	9	9	9	9	9	9	9	9	9	9	6	0	0
UNSOLD INVENTORY		102	96	87	78	69	60	51	42	33	24	15	6	0	0	0
CLOSE OF ESCROW		0	0	6	9	9	9	9	9	9	9	9	9	9	6	0
UNCLOSED INVENTORY			102	102	96	87	78	69	60	51	42	33	24	15	6	0
		Total														
CONTRACTED BASE HOME REVENUE (BEFORE APPRECIATION)		$53,040,000	$3,120,000	$4,680,000	$4,680,000	$4,680,000	$4,680,000	$4,680,000	$4,680,000	$4,680,000	$4,680,000	$4,680,000	$4,680,000	$3,120,000	$0	$0
Quarterly Rate of Apprecation			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Adjustment Factor			1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0100	1.0201	1.0303	1.0406	1.0510	1.0615	1.0721	1.0829
APPRECIATED BASE HOME REVENUE		$53,943,373	$3,120,000	$4,680,000	$4,680,000	$4,680,000	$4,680,000	$4,680,000	$4,726,800	$4,774,068	$4,821,809	$4,870,027	$4,918,727	$3,311,943	$0	$0
APPRECIATED CLOSING BASE HOME REVENUE		$53,943,373	$0	$3,120,000	$4,680,000	$4,680,000	$4,680,000	$4,680,000	$4,680,000	$4,726,800	$4,774,068	$4,821,809	$4,870,027	$4,918,727	$3,311,943	$0
LOT PREMIUM REVENUE		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
OPTION REVENUE	$15,600	$1,618,301	$0	$93,600	$140,400	$140,400	$140,400	$140,400	$140,400	$141,804	$143,222	$144,654	$146,101	$147,562	$99,358	$0
MODEL RECAPTURE		$90,059	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$90,059	$0
TOTAL REVENUE		$55,651,734	$0	$3,213,600	$4,820,400	$4,820,400	$4,820,400	$4,820,400	$4,820,400	$4,868,604	$4,917,290	$4,966,463	$5,016,128	$5,066,289	$3,501,361	$0
EXPENSES AND CASH FLOWS																
PAID AT CLOSING																
SALES COMMISSIONS (% OF TOTAL REVENUE)	3.50%	$1,947,811	$0	$112,476	$168,714	$168,714	$168,714	$168,714	$168,714	$170,401	$172,105	$173,826	$175,564	$177,320	$122,548	$0
CLOSING, LEGAL AND TITLE (% OF TOTAL REVENUE)	0.25%	$139,129	$0	$8,034	$12,051	$12,051	$12,051	$12,051	$12,051	$12,172	$12,293	$12,416	$12,540	$12,666	$8,753	$0
WARRANTY (% OF TOTAL REVENUE)	1.00%	$556,517	$0	$32,136	$48,204	$48,204	$48,204	$48,204	$48,204	$48,686	$49,173	$49,665	$50,161	$50,663	$35,014	$0
SUBTOTAL:		$2,643,457	$0	$152,646	$228,969	$228,969	$228,969	$228,969	$228,969	$231,259	$233,571	$235,907	$238,266	$240,649	$166,315	$0
FINANCABLE																
DIRECT CONSTRUCTION COSTS		$17,941,800	$1,231,300	$1,407,200	$1,583,100	$1,583,100	$1,583,100	$1,583,100	$1,583,100	$1,583,100	$1,583,100	$1,583,100	$1,407,200	$879,500	$351,800	$0
Quarterly Rate of Apprecation			1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Adjustment Factor			1.0000	1.0100	1.0201	1.0303	1.0406	1.0510	1.0615	1.0721	1.0829	1.0937	1.1046	1.1157	1.1268	1.1381
APPRECIATED DIRECT CONSTRUCTION COSTS		$18,965,341	$1,231,300	$1,421,272	$1,614,920	$1,631,070	$1,647,380	$1,663,854	$1,680,493	$1,697,297	$1,714,270	$1,731,413	$1,554,424	$981,230	$396,417	$0
OTHER INDIRECTS (CONSTRUCTION/INSURANCE/ETC.)	6.50%	$3,617,363	$278,259	$278,259	$278,259	$278,259	$278,259	$278,259	$278,259	$278,259	$278,259	$278,259	$278,259	$278,259	$278,259	$0
BUILDING PERMITS AND FEES (FIXED)		$4,590,000	$270,000	$405,000	$405,000	$405,000	$405,000	$405,000	$405,000	$405,000	$405,000	$405,000	$405,000	$270,000	$0	$0
MODEL COSTS (FIXED)		$240,000	$240,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
GENERAL ADM & OVERHEAD (% OF TOTAL REVENUE)	3.00%	$1,669,552	$128,427	$128,427	$128,427	$128,427	$128,427	$128,427	$128,427	$128,427	$128,427	$128,427	$128,427	$128,427	$128,427	$0
MARKETING (% OF TOTAL REVENUE)	1.50%	$834,776	$64,214	$64,214	$64,214	$64,214	$64,214	$64,214	$64,214	$64,214	$64,214	$64,214	$64,214	$64,214	$64,214	$0
AD VALOREM REAL ESTATE TAXES (% OF TOTAL)	$1,494	$291,480	$38,097	$38,287	$36,215	$32,984	$29,720	$26,422	$23,091	$19,725	$16,326	$12,891	$9,422	$5,918	$2,379	$0
DIRECT LEVIES		$130,912	$17,111	$17,196	$16,265	$14,814	$13,348	$11,867	$10,371	$8,859	$7,332	$5,790	$4,232	$2,658	$1,069	$0
SPECIAL TAXES		$298,503	$39,015	$39,210	$37,088	$33,779	$30,436	$27,059	$23,647	$20,201	$16,719	$13,202	$9,649	$6,061	$2,437	$0
HOA (FIXED)		$229,500	$30,600	$30,600	$28,800	$26,100	$23,400	$20,700	$18,000	$15,300	$12,600	$9,900	$7,200	$4,500	$1,800	$0
OPTION COSTS	65%	$1,051,896	$60,840	$91,260	$91,260	$91,260	$91,260	$91,260	$92,173	$93,094	$94,025	$94,966	$95,915	$64,583	$0	$0
SITE DEVELOPMENT COSTS (FIXED)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SUBTOTAL:		$31,919,323	$2,397,862	$2,513,725	$2,700,449	$2,705,907	$2,711,444	$2,717,062	$2,723,673	$2,730,376	$2,737,172	$2,744,061	$2,556,742	$1,805,850	$875,001	$0
TOTAL EXPENSES		$34,562,780	$2,397,862	$2,666,371	$2,929,418	$2,934,876	$2,940,413	$2,946,031	$2,952,642	$2,961,635	$2,970,743	$2,979,968	$2,795,009	$2,046,499	$1,041,315	$0
NET INCOME/PROJECT RETURN		$21,088,953	($2,397,862)	$547,229	$1,890,982	$1,885,524	$1,879,987	$1,874,369	$1,867,758	$1,906,969	$1,946,547	$1,986,495	$2,221,119	$3,019,790	$2,460,045	$0
DISCOUNTED CASH FLOW ANALYSIS	20.00%		0.95238	0.90703	0.86384	0.82270	0.78353	0.74622	0.71068	0.67684	0.64461	0.61391	0.58468	0.55684	0.53032	0.50507
		$13,646,283	($2,283,678)	$496,353	$1,633,502	$1,551,226	$1,473,019	$1,398,683	$1,327,381	$1,290,712	$1,254,762	$1,219,535	$1,298,642	$1,681,532	$1,304,615	$0
	VALUE CONCLUSION	**$13,645,000**														
	INDICATED VALUE PER LOT	**$133,775**														

CONCLUSIONS OF LOT VALUE – DISCOUNTED CASH FLOW ANALYSIS

The bulk value conclusion for each MDR village as finished via the subdivision development method are shown below.

SUBDIVISION DEVELOPMENT METHOD CONCLUSIONS - VALUE PER LOT				
	MDR-5	MDR-8	MDR-7	MDR-6
IRR Analysis	$188,103	$157,757	$152,436	$133,787
Bifurcated Analysis	$186,379	$167,059	$147,396	$136,863
Conclusion	**$187,000**	**$162,000**	**$150,000**	**$135,000**

The values shown above are only one indication of value. These will be considered along with the results of the Sales Comparison Approach in the following reconciliation section.

RECONCILIATION AND CONCLUSIONS OF LOT VALUE

Two methods were used in the valuation of the subject lots. The results of these methods are summarized below.

QUALITY OF ANALYSIS BY APPROACH			
Subdivision Development Method		Result	Comment
Reliability/Availability of Home Price Data		Good	Comparable project sales
Reliability/Availability of Absorption Data		Good	Estimate supported by regional data and local project sales
Reliability/Availability of Expense/Cost Data		Average	Cost comparables for direct/in direct costs available; total costs market supported.
Reasonableness of Discount Rate/Profit		Good	Supported by regional and national surveys
	Overall	**Above Average**	**Requires Consideration**
Sales Comparison Approach		Result	Comment
Availability of Recent Sales		Fair/Average	Recent sales were located. Market conditions changing rapidly despite rent sales.
Proximity of Sales to Subject		Fair	Limited sales in subject submarket .
Availability of Similar Projects		Fair/Average	Some larger lot projects included.
	Overall	**Fair/Average**	**Supporting Weight Given**

The subdivision development method is the better supported approach to value. While the sales comparison approach has adjustments that are supported, its reliability is weakened by the quality of data available (which is also the best data available) and large market conditions and location adjustments were applied. We place primary reliance on the subdivision development method and secondary weight on the sales comparison approach.

Based on the foregoing analysis, we estimate the following values for each village, assuming finished lots.

RECONCILIATION - VALUE PER FINISHED LOT (MDR VILLAGES)	MDR-5	MDR-8	MDR-7	MDR-6
Sales Comparison Approach	$174,000	$155,000	$141,000	$136,000
Subdivision Development Analysis	$187,000	$162,000	$150,000	$135,000
Conclusion	**$185,000**	**$160,000**	**$145,000**	**$135,000**

RECENT AND PENDING SALES OF SUBJECT MDR VILLAGES

One June 10, 2020, M & H Realty Partners VI LP and Signature Homes, Inc. entered into a partnership agreement for MDR-5. On December 21, 2021 MDR-5 was transferred into the joint venture entity identified as MHRP / Signature Homes JV I LLC.

Subsequent to the partnership agreement for MDR-5, M & H Realty Partners VI LP entered into purchase and sale agreements (PSA) with Signature Homes for the remaining medium density villages. The PSA for MDR-8 is dated June 24, 2021. The PSA for MDR-6 is dated September 7, 2021. A letter of intent dated June 30, 2021 was provided for MDR-7.

While the details relating to the closed joint venture agreement for MDR-5 and pending sale agreements for the other MDR villages are not reported herein due to confidentiality agreements between the parties, they have been provided for our review and analyzed and considered in our valuation.

The finished lot values concluded in the prior section are difficult to accurately compare to the joint venture and purchase agreements for the subject MDR villages due to several factors including the fact that the buyer, Signature Homes, is responsible for processing the maps and constructing in-tract improvements as well as the main internal roads adjacent to the villages. The MDR-5 joint venture transfer is further complicated by a relatively high level of profit participation by MHRP.

Based on our analysis, our estimated finished lot cost basis for Signature Homes (purchase prices + allocated backbone costs + estimated in-tract costs) are below the concluded finished lot values for the MDR villages. This variance is primarily attributed to significant appreciation in the new home market since the dates these agreements were executed. Per The Gregory Group, the average new detached home price in Sacramento County was $706,767 as of Q1-2022. This is up 10% ($64,903 per home) in comparison to the mid-year 2021 level ($641,864) and up 20% (or $118,187 per home) from the year-ago (Q1-2021) level of $588,580.

SALES COMPARISON APPROACH – HDR LAND

In order to develop an opinion of the subject site as if vacant and available for development to its highest and best use, we employ the sales comparison approach. This is accomplished by compiling, verifying, and comparing recent and pending sales, as well as listings of sites similar in location, potential use, and physical attributes. The sales comparison approach is based upon the principle of substitution, which states that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

The sales comparison approach to value involves the following steps:

- Determine the Unit of Comparison: Examine market trends, interview market participants, and consider market data in order to determine the most widely used unit of comparison for properties with characteristics similar to those of the subject. For purposes of this analysis, the unit of comparison utilized is price per unit.
- Compile and Verify Comparable Data: Research is conducted to compile comparable pending sales, closed sales, and active listings of sites that are similar to the subject in location, size, utility, zoning, potential use, density, and other physical and legal characteristics. A reasonable effort has been made to verify the salient facts of each comparable transaction, as well its arm's length status. In the event that we are unable to confirm a comparable with a direct party to the transaction, we have obtained secondary verification from public records and other market sources unless otherwise noted.
- Comparison and Adjustment: Once the comparable data set has been identified, we adjust each sale/listing to account for specific differences in value-impacting transactional, locational, physical, and legal attributes (elements of comparison). All adjustments are applied to the comparables as they relate to the subject property.
- Reconciliation: The value indications rendered from the adjustment process are evaluated for reliability and relevance to the subject, and reconciled to a single value conclusion for the subject property. The relevance of each comparable is largely captured in a comparison of the net and overall adjustments that are necessary in the adjustment process.

<u>HDR Land:</u> Benchmark value for a 10-acre finished multi-family lot/tract with an achievable density of 27 units per acre. This lot is assumed to have all perimeter streets installed as well as utilities stubbed up to the property boundary.

COMPARABLE LAND SALES

On the following pages, we present a summary of the comparable land sales that have been determined to be most relevant to the subject, including maps and photos.

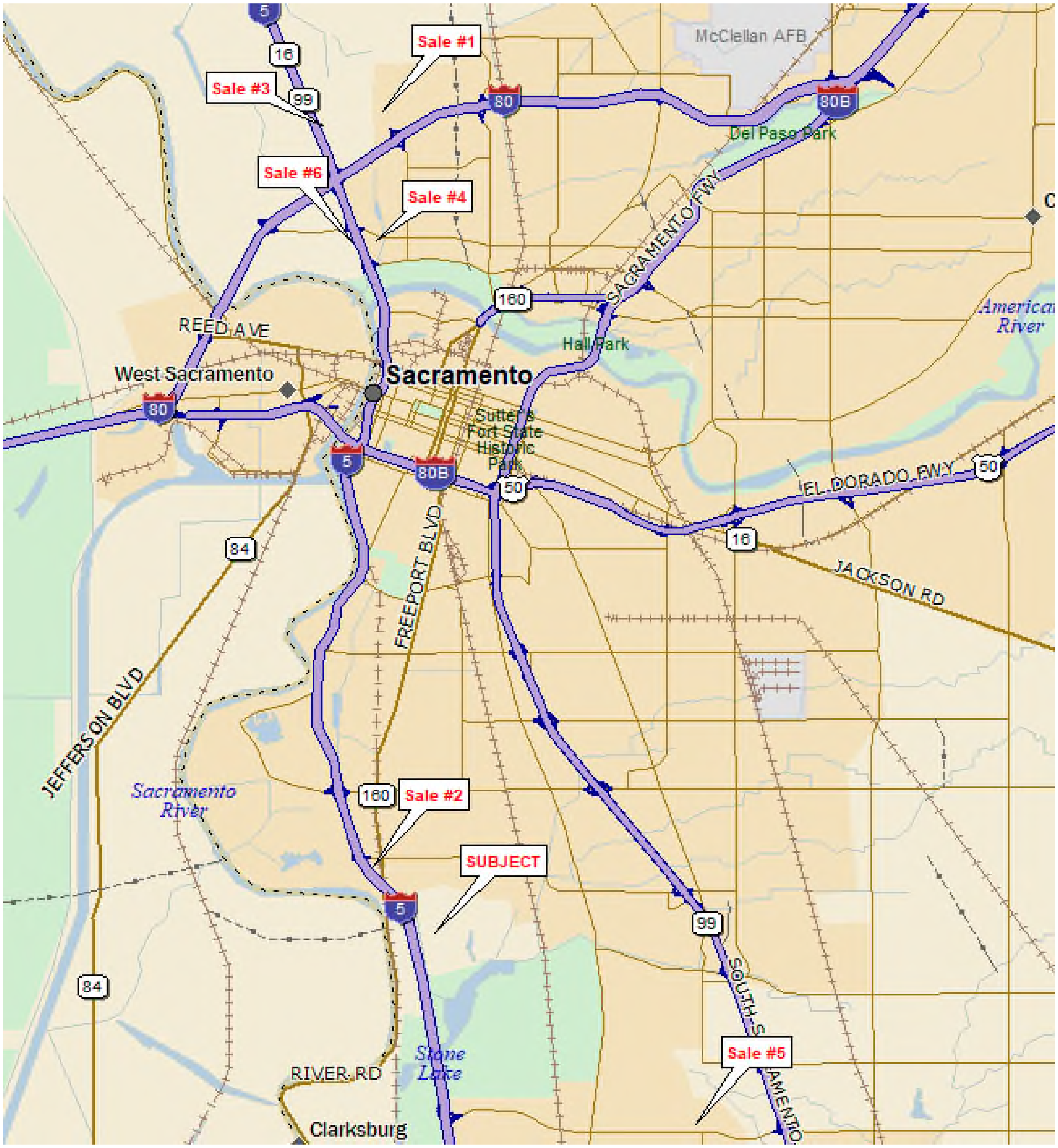
SUMMARY OF COMPARABLE LAND SALES - MULTI-FAMILY LAND

No.	Property Identification	Grantee Grantor	Sale Date Sale Status Property Rights	Net Land Area: Acres Square Feet	Pot. Units Units/Acre	Sale Price	Price/Unit Price/FSF	±Fees/Unit ±Bonds/Unit
1	Natomas Fountains 3810 Gateway Park Blvd Sacramento, CA 95834 Sacramento County APN: 225-0160-094 (Portion)	Confidential Ethan Conrad	Sep-21 In-Contract Fee Simple	10.50 457,380	303 28.9	$5,575,680	**$18,402** $12.19	$28,000 $940
	Comments: Vacant site in north Natomas just north of I-80 at the split of Truxel Rd and Gateway Park Blvd. A developer is under contract to purchase approximately 10.5 acres of the larger 12.54 acre existing parcel. The buyer is in the process of pursuing entitlements for a 303-unit apartment project. City fees due at permit are approximately $28,000 per unit.							
2	Klotz Ranch Apartment Site 7699 Klotz Ranch Ct Sacramento, CA 95831 Sacramento County APN: 031-1550-002	Spanos Cora Properties	Jul-21 Closed Fee Simple	10.20 444,312	266 26.1	$5,650,000	**$21,241** $12.72	$20,000 $0
	Comments: This site was placed under contract in August 2019 and was initially slated to close in July 2020 (upon approval of proposed 266 unit apartment project); escrow was extended (due to pandemic) and the sale closed July 16, 2021. Site is located between Freeport Blvd and I-5, just south of Pocket Road in the southwest portion of the city of Sacramento. The developable site area (net of drainage basin) estimated at 10.2 acres (gross area was 12.7 acres). Buyer plans to develop a 266-unit apartment project. Price equates to $21,241 per unit. Entitlements for the proposed project were secured by the buyer prior to closing. City fees due at building permit were reported at just under $20,000 per unit. The site is not encumbered by bond debt.							
3	N Natomas Apartment Site 3701 E Commerce Way Sacramento, CA 95834 Sacramento County APN: 225-2300-012	Spanos Alleghany	Jul-21 Closed Fee Simple	9.39 408,811	270 28.8	$5,493,348	**$20,346** $13.44	$25,000 $1,600
	Comments: This site was placed under contract in August 2019 and was initially slated to close in July 2020 (upon approval of proposed 270 unit apartment project); escrow was extended (due to pandemic) and the sale closed July 15, 2021. The buyer was responsible for approximately $220,000 in off-site costs, primirily for the construction of a multi-use trail along the western and southern property lines. The off-site cost is added to the purchase price to arrive at the effective sale price of $5493,348. The property was encumbered by bond debt with an estimated RPB of $46,131 per acre. The buyer is also under contract to purchase the site directly south of this property (6.59 acres - approved for 202 units) for $15.43 per SF ($21,927/unit), but is not required to close until Q3-2022; this additional site will be developed with Phase II of the larger project.							

SUMMARY OF COMPARABLE LAND SALES - MULTI-FAMILY LAND

No.	Property Identification	Grantee / Grantor	Sale Date / Sale Status / Property Rights	Net Land Area: Acres / Square Feet	Pot. Units / Units/Acre	Sale Price	Price/Unit / Price/FSF	±Fees/Unit / ±Bonds/Unit
4	Former Natomas Racquet Club 2450 Natomas Park Dr Sacramento, CA 95833 Sacramento County APN: 274-0410-016	Demmon Partners Natomas Racq Club	Jun-21 Closed Fee Simple	9.06 394,654	190 21.0	$5,150,000	**$27,105** $13.05	$20,000 $0
	Comments: Developer acquisition of former fitness center (35,000 SF building) and racquet club on 9.06 acres. The club closed in November 2020 due to pandemic impacts. The buyer plans to demolish existing improvements and develop a 190-unit apartment project. The buyer had completed a 248-unit project known as Sutter Green directly south of this site. The property sold without entitlements in place. City fees due at building permit are reported at approximately $20,000 per unit. The property is not encumbered by bond debt. The sales price equates to $27,105 per residential unit (excluding demolition costs).							
5	Bruceville Rd Apt Site 9142 Bruceville Rd Elk Grove, CA 95758 Sacramento County APN: 116-0011-020, 116-01380-005, 008, 009 & 014	Pacific West Co EGB Elk Grove	Oct-19 Closed Fee Simple	8.35 363,726	125 15.0	$2,300,000	**$18,400** $6.32	$45,000 $0
	Comments: Property consist of six parcels of land. The zoning is RD-15 which allows up to 15 upa. The buyer is an affordable housing group. Plans for develoments are unknown ast this time. Confirmed with listing broker. The listing broker reported there was a lot line adjustment of the 6 contiguous parcels but the total land area that sold contained 8.35 acres. The property was zoned RD-15 allowing for 15 units per acre, but it is anticipated that the City will allow a higher density. Project specific entitlements were not in place at closing. Building permits and fees reported at approximately $45,000 per unit.							
6	Venture Oaks Apt Site Venture Oaks Way Sacramento, CA Sacramento County APN: 274-0320-059, 060, 062, 063 & 064	Confidential South Natomas Investors, LLC	Mar-22 In-Contract Fee Simple	14.58 635,061	470 32.2	$13,500,000 *(Approx.)*	**$28,723** $21.26	$20,000 $0
	Comments: Vacant site in South Natomas just north of I-80 at the split of Truxel Rd and Gateway Park Blvd. A multifamily developer is under contract to purchase 14.58 acres of OB-PUD zoned land. Closing is tied to buyer securing entitlements for the project. The two confirming broker sources reported that the price was within a range of $13 to $14 million - the midpoint of this range is used for analysis purposes. The buyer is in the process of pursuing entitlements for a 470-unit apartment project. City fees due at permit are approximately $20,000 per unit.							

COMPARABLE LAND SALES MAP



Land Sale 1
3801 Gateway Park Blvd

Land Sale 2
7299 Klotz Ranch Ct

Land Sale 3
3701 E Commerce Way

Land Sale 4
2450 Natomas Park Dr

Land Sale 5
9142 Bruceville Rd

Land Sale 6
Venture Oaks Way

DISCUSSION OF ADJUSTMENTS

ADJUSTMENT PROCESS

Each comparable is compared to the subject based upon the elements of comparison that have been determined to be relevant to the subject's property type and location. Attributes of the comparable that are deemed to be inferior to the subject warrant an upward adjustment; whereas, superior attributes warrant a downward adjustment. Depending upon the availability and reliability of market data, adjustments are applied quantitatively (expressed as a percentage or dollar-per-unit amount) or qualitatively (inferior/similar/superior). Comparables that require less net and overall adjustment are often considered to be more reliable indicators of value; however, each comparable is evaluated by the appraiser in order to arrive at a final reconciled value.

TRANSACTIONAL ADJUSTMENTS

No adjustments are warranted for property rights conveyed, financing or conditions of sale.

MARKET CONDITIONS

The four closed comparables had closing dates between October 2019 and July 2021; however, it is important to note that Sales 2 and 3 were initially placed in contract in August 2019 and the contract dates of these sales are considered in our market conditions adjustment. Sales 1 and 6 reflect pending sales that were placed under contract in September 2021 and Mach 2022, respectively. Sale 8 was recent placed under contract (March 2022) and reflects continued appreciation for multifamily land in the market area.

Based upon trends in multi-family rent, vacancy, and capitalization rates, it is clear that market conditions have been improving over this time. Based on these factors we have recognized a 5% annual adjustment to the comparables due to improving market conditions between the sale dates and the effective date of value.

LOCATION

The appeal of a property's location to users of and/or investors in a particular property type can influence value significantly. This factor broadly considers the impact of demographics, geographical attributes, access and visibility from major thoroughfares, and local land use trends on pricing. Comparisons of location can often be derived, or even quantified, by examining rent, vacancy, capitalization rate, and land value trends in the subject and directly competitive areas.

The subject has an average location in the city of Sacramento. Sales 2 and 5 are located in South Sacramento and have similar locations as the subject. Sales 1 and 3 are located in North Natomas and also rate similar to the subject in terms of location. Sales 4 and 6 are located in South Natomas and are rated slightly superior.

PROJECT SIZE

Project size and pricing typically have an inverse relationship, whereby larger sites tend to achieve lower pricing on a per-square-foot basis. This is attributable to economies of scale, as well as the narrower pool of prospective buyers for a larger property.

The subject HDR sites range in size from 5.89 to 8.59 acres. Sales 1-5 are rated similar in project site. Sale 6 is a larger project and is rated slightly inferior in land size.

BOND DEBT/BUILDING FEES

The subject has a combined bond debt and building fee of $34,100 per achievable unit. The cumulative bond debt and fees for the comparable sales range from $20,000 to $45,000 per unit. Sale 5 has the highest total fees/bond debt ($45,000/unit). The remaining sales have lower and superior debt/fees from $20,000 to $28,940 per unit. Judging from the prices being paid for the comparable sales there not appear to be direct correlation or adjustment for differences in fees/debt. Thus, while quantitative adjustments for differences in these costs is not applicable the cumulative fee/bond debt are important factors considered by developers. Overall, we rate Sales 1 and 3 similar to the subject with respect to these costs. Sales 2, 4 and 6 are rated superior and Sale 5 is rated inferior.

ZONING/DENSITY

The value of vacant land is largely contingent upon its potential use. This factor considers the uses permitted by the applicable development standards, per the subject's zoning designation. The maximum density to which a property can be developed typically impacts total value positively; however, depending upon property type, location, and type of construction higher permitted densities can have an inverse relationship to pricing on a per-unit basis.

The subject is analyzed under a potential density of 27 units per acre. This density is similar to Sales 1, 2 and 3. Sales 4 and 5 have lower densities per acre and rate superior. Sale 6 has a higher density and is rated slightly inferior.

UTILITY

The configuration, shape, dimensions, and topography of a site determine its developability and overall utility. These factors can impact development costs, usable area of the site, and thereby, achievable pricing. Overall, site dimensions, shape, and topography result in average utility. The comparable sales have similar site utility and no adjustments were made.

ENTITLEMENTS

This adjustment category accounts for the value of any existing approvals at a site. The premium attributed to entitlements in place depends upon market conditions, the cost and risk associated with processing entitlements through the local planning department, and the property's current entitlement status. The subject sites have appropriate zoning and most entitlements in place for multi-family development; however, specific project level entitlements will be required prior to development.

Sales 1 and 6 are presently in-contract and closing is contingent upon entitlements being secured. Sales 2 and 3 did not have specific entitlements in place at the time of contract; however, the buyer secured entitlements prior to closing. Sales 4 and 5 had multi-family zoning in place, but lack project level entitlements at the time of closing. Thus, all comparables are rated similar in terms of entitlements.

INFRASTRUCTURE /SITE IMPROVEMENTS

This analysis assumes that the subject HDR sites have all off-site roads and utilities complete to the property boundary. All comparables are rated similar and no adjustments are necessary.

COMPARABLE LAND SALES ADJUSTMENTS - MULTIFAMILY RESIDENTIAL LAND							
	Benchmark Property	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Common Name	Delta Shores HDR Land	Natomas Fountains	Klotz Ranch Apt Site	Natomas II Apts	Natomas Racquet Club	Bruceville Rd	Venture Oaks Apt Site
Address	Delta Shores Circle South	3801 Gateway Park Blvd	7699 Klotz Ranch Ct	3701 E Commerce Way	2450 Natomas Park Dr	9142 Bruceville Rd	Venture Oaks Way
City	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Elk Grove	Sacramento
Sale Date		Sep-21	Jul-21	Jul-21	Jun-21	Oct-19	Mar-22
Sale Status		In-Contract	Closed	Closed	Closed	Closed	In-Contract
Sale Price		$5,575,680	$5,650,000	$5,493,348	$5,150,000	$2,300,000	$13,500,000
Other Adjustment		$0	$0	$0	$0	$0	$0
Effective Sale Price		**$5,575,680**	**$5,650,000**	**$5,493,348**	**$5,150,000**	**$2,300,000**	**$13,500,000**
Gross Developable Acres	5.9 - 8.6	10.50	10.20	9.74	9.06	8.35	14.58
Number of Units		303	266	270	190	125	470
Units Per Acre	27	28.9	26.1	27.7	21.0	15.0	32.2
Effective Price Per Unit	–	$18,402	$21,241	$20,346	$27,105	$18,400	$28,723
Zoning Code	HDR	EC-50-PUD	SC-PUD	EC-50-PUD	R-2B-PUD	RD-15	OB-PUD
Effective Price Per Unit		**$18,402**	**$21,241**	**$20,346**	**$27,105**	**$18,400**	**$28,723**
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment/Rating		**Similar**	**Similar**	**Similar**	**Similar**	**Similar**	**Similar**
% Adjustment		–	–	–	–	–	–
Terms/Conditions of Sale		Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
Adjustment/Rating		**Similar**	**Similar**	**Similar**	**Similar**	**Similar**	**Similar**
% Adjustment		–	–	–	–	–	–
Interim Adjusted Price		$18,402	$21,241	$20,346	$27,105	$18,400	$28,723
Market Conditions	April 1, 2022	Sep-21	Aug-19	Aug-19	Jun-21	Oct-19	Mar-22
Annual % Adjustment	5.0%	**3.0%**	**13.0%**	**13.0%**	**4.0%**	**12.0%**	**0.0%**
Cumulative Adjusted Price		**$18,954**	**$24,002**	**$22,991**	**$28,189**	**$20,608**	**$28,723**
Location	Delta Shores/Cosumnes	**Similar**	**Similar**	**Similar**	**Sl. Superior**	**Similar**	**Superior**
Project Size	5.9 to 8.6 Acres	**Similar**	**Similar**	**Similar**	**Similar**	**Similar**	**Sl. Inferior**
Bond Debt/Building Fees	±$34,100/unit	**Similar**	**Superior**	**Similar**	**Superior**	**Inferior**	**Superior**
Zoning/Density (DU/Acre)	HDR - 27 DU/Acre	**Similar**	**Similar**	**Similar**	**Superior**	**Superior**	**Sl. Inferior**
Utility	Average	**Similar**	**Similar**	**Similar**	**Similar**	**Similar**	**Similar**
Entitlements	Zoning	**Similar**	**Similar**	**Similar**	**Similar**	**Similar**	**Similar**
Infrastructure/Site Improvements	In Place	**Similar**	**Similar**	**Similar**	**Similar**	**Similar**	**Similar**
INDICATION FOR BENCHMARK PROPERTY	**Per Achievable Unit**	**Similar** ***Near*** **$18,954**	**Sl. Superior** ***Sl. Below*** **$24,002**	**Similar** ***Near*** **$22,991**	**Superior** ***Below*** **$28,189**	**Similar** ***Near*** **$20,608**	**Superior** ***Below*** **$28,723**
Range of Comparable Indications		**$18,954 - $28,723**					
Indicated Value Per Unit		**$22,000**					

LAND VALUE CONCLUSION – MULTI-FAMILY

The comparable sales were quantitatively adjusted for market conditions, while all of the other factors were considered on a qualitative basis.

There were two sales that indicated overall superior ratings and these had prices from $28,189 to $28,723 per achievable unit. A value estimate lower than this range is appropriate.

One sale (Sale 2) had a final overall rating of slightly superior and had a price of $24,002 per achievable unit. This comparable is located in close proximity to the subject and is most similar in terms of location. Based on our analysis, a value estimate slightly lower that this is appropriate.

Three sales indicated overall similar ratings and these had prices from $18,954 to $22,991 per achievable unit, with an average of $20,851 per unit. A value estimate within this range is appropriate.

In addition, we have considered the opinions of market participants in our conclusion. One of the subject HDR parcels (HDR-6, 8.6 acres, 232 potential units) was recently offered for sale by Walker & Dunlop. Nate Oleson, the listing agent, reports that there has been strong interest from prospective buyers and provided the opinion that a price near $30,000 per unit is expected/achievable for this site. Another market participant (Alleghany Properties representative, the seller of Comparable 3) provided the opinion that a value “above $20,000 per unit” was appropriate for the Delta Shores HDR land.

Given the foregoing analysis, we conclude to a land value estimate $22,000 per unit for the benchmark multi-family site.

Land Value Conclusion - Benchmark Multi-family Site
$22,000 Per Achievable Unit

The five HDR tracts (HDR 6 through 10) are rated similar overall in terms of location, density, size and utility. Thus, a similar per unit value is appropriate for these five tracts. In addition, a similar conclusion is supported for the MU site given the highest and best use of this tract.

MDR-5 VALUATION

As previously discussed, this village was transferred into the joint venture (JV) comprised of M&H Realty Partners VI L.P and Signature Homes in December 21, 2021. The current ownership entity is identified as MHRP / Signature Homes JV I LLC. We have been requested to provide market value by ownership. Therefore, a separate value estimate is provided for MDR-5 based on the current condition of the property.

A finished lot value of $185,000 per lot was previously concluded for MDR-5 on a stand alone basis. In order to estimate the current value of this portion of the subject deductions are applied for total lot development costs (main internal roadway costs and in-tract development costs) as well as profit on lot development. As previously discussed, the in-tract development costs are estimated at $60,000 per lot. The allocated cost of the main internal road is summarized as follows:

DELTA SHORES IA2 BACKBONE INFRASTRUCTURE		
Remaining Backbone Costs		
Direct Cost		$12,884,491
Soft Cost	15.0%	$1,932,674
Subtotal		$14,817,165
Plus: Offsite Cost		$43,992
Total Backbone Costs (1)		$14,861,157
Allocation to MDR-5 (1)		**$1,255,315**
Allocation to Remainder		$13,605,841
Total Backbone Cost		$14,861,157

(1) Based on Cost Share Allocation provided by developer.

The value of MDR-5 is derived as follows:

MDR-5 VALUE - 87 RESIDENTIAL LOTS (UNIMPROVED)			
		Total	$/Lot
Finished Lot Value		$16,095,000	$185,000
Less:			
Allocated Main Internal Road Cost	$1,255,315		
In-tract Lot Development Costs	$5,220,000		
Total Development Cost		$6,475,315	$74,429
Profit on Completing Site Development	5.0%	$323,766	$3,721
Indicated Value		$9,295,919	$106,850
Rounded		$9,300,000	$106,897

The bulk value of the remainder of the subject (all land except MDR-5) is derived in the following section.

HYPOTHETICAL MARKET VALUE (BULK VALUE)

This analysis relates to all subject lots/parcels with the exception of MDR-5.

To estimate the Hypothetical Market Value, we utilize a discounted cash flow analysis, which includes four components (Revenue, Absorption, Expenses and Discount Rate). The steps required to complete this analysis are as follows:

- Estimate the revenue from the sale of lots/tracts of land within the development, with consideration to appreciation/inflation factors, if any;
- Estimate an appropriate absorption rate for the sale of lots or tracts;
- Estimate all expenses associated with the sell-off of completed lots, including holding and selling costs, as well as direct and indirect construction costs (with consideration for inflationary expense trending);
- Estimate the appropriate profit rate/discount rate for the type of project under consideration, and discount the net cash flows to arrive at a value indication.

The discounted cash flows reflect finished lot revenue with deductions for remaining site development costs, accordingly, as applicable.

REVENUE

The revenue of the of the lots and tracts of land were estimated in the foregoing analysis. A summary of the revenue is shown as follows:

SUMMARY OF LOT SALE REVENUES

Scenario	No. Lots	Lot Size	Final Conclusion of Value	Unit	Staus Assumed	Aggregate Value
MDR5	87	4,000	Estimated Separately			
MDR8	136	3,116	$160,000	Lot	Finished Lots	$21,760,000
MDR7	96	1,829	$145,000	Lot	Finished Lots	$13,920,000
MDR6	102	1,550	$135,000	Lot	Finished Lots	$13,770,000
HDR6	232	--	$22,000	Unit	Finished Tract	$5,104,000
HDR7	186	--	$22,000	Unit	Finished Tract	$4,092,000
HDR8	159	--	$22,000	Unit	Finished Tract	$3,498,000
HDR9	217	--	$22,000	Unit	Finished Tract	$4,774,000
HDR10	233	--	$22,000	Unit	Finished Tract	$5,126,000
MU-1	125	--	$22,000	Unit	Finished Tract	$2,750,000
Aggregate Retail Value						**$74,794,000**

PRICE CHANGES

A previously discussed, regional home prices and residential land/lot prices have appreciated substantially over mid-2020 through year-end 2021. These factors were considered in our previous conclusions of finished lot values for the MDR villages and HDR land tracts. Prices started to moderate in the 4th quarter. Industry projections are less favorable moving forward due to the recent spike in mortgage interest rates in March/April 2022. Given the current mortgage interest rate environment, we do not reflect any appreciation for the MDR village land sales, which are projected to occur over the initial two years.

The multifamily market is not expected to be materially impacted by aforementioned trends in mortgage interest rates. Based on recent prices changes, we estimate an annual increase of 4% annually for the HDR land.

ABSORPTION

The lot sale absorption was discussed earlier in the report. The following is a summary of the lot sale estimates:

Single-family Lots: Excluding MDR-5, the subject will have 334 single-family lots within three villages. There is currently robust developer demand for single-family lots and land it is likely that the villages could be sold immediately if the lots were finished today. In order to allow for completion of major roads and in-tracts, we conclude to a two-year absorption of these lots, with MDR-8 selling in year one and MDR-6 and MDR-7 selling in year two.

Multi-family: The subject includes five HDR sites that can accommodate 1,027 units and one MU site that can accommodate 125 high-density units (a total of 1,152 achievable multi-family units). The market and absorption study by John Burns Real Estate Consulting (JBREC) included two absorption projections for the HDR land. Scenario 1 was more conservative, projecting a 10 year absorption period, while Scenario 2 was more aggressive, projecting a six year absorption period. We have considered both scenarios in our projection and conclude to a total absorption period of 9 years. The JBREC projections and our conclusions are summarized as follows:

Lot Absorption - HDR/MU											
JBREC Projections	Total	Yr 1	Yr 2	Yr. 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Scenario #1	1,152	0	232	0	187	0	159	0	217	125	232
Scenario #2	1,152	0	232	312	159	217	232				
BBG Projection											
HDR & MU	1,152	0	232	0	187	159	217	0	232	125	0

EXPENSES

The discounted cash flow analyses account for the following expense items:

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses would include management of project entitlements and construction, as well as coordination with others. We have estimated this expense at 1.0% of revenue, which is spread evenly over the sell-off period.

MARKETING AND SALE

For the sell-off of the MDR villages to builders, marketing costs would be minimal, since master developers often contact builders directly and indicate lots are available, rather than openly list properties and have marketing costs. Therefore, a 1% sales cost is applied to single family (MDR) sale revenue.

It is expected that an experienced broker would be required to market the HDR sites. We have estimated an expense of 3.0% revenue for HDR sites, which is within market parameters.

REAL ESTATE TAXES

Base Taxes: The subject's taxes are estimated based on the current tax rate of around 1.1167% applied to the estimated market value. Taxes have been applied to the remaining unclosed lots each quarter based on the final value estimate allocated to MDR and HDR components.

Direct Assessments: The proposed levies are $671 per lot for medium density and $487 per units for high density; however, the direct levies during the build-out will be substantially less as many of the levies are not assessed until final maps are recorded (for MDR component) or apartments are completed (HDR component). As vacant land the subject is likely be assessed lower direct levies. The current direct levies for the overall subject project equate to $20,278 annually. We have applied a conservative estimate of $50,000 in year one of the projection, which is reduced by the percentage of units sold in future years.

Special CFD Taxes: In addition, for each unit we consider the Special Taxes for the CFD. The reported average maximum Special Tax is $1,530 per single-family (MDR) lot and $250 per multi-family unit was discussed in the *Property Taxes* section of this report.

For the HDR land, we utilize these CFD taxes ($250 per unit annually) for the unsold inventory.

For MDR-5 (not included in this analysis) and MDR-8, capitalized CFD interest will offset special CFD taxes through December 2022. For MDR-6 and MDR-7, capitalized interest will offset special CFD taxes through September 2024. Therefore, CFD taxes for MDR-6, 7 & 8 are nearly 100% offset by capitalized interest over the two year sell-off period for these lots, as summarized in the following table.

SPECIAL CFD TAXES AND CAPITALIZED INTEREST			
Year		1	2
Period		4/22 - 3/23	4/23 - 3/24
Taxes Per Lot/Year		$1,530	$1,561
CFD Taxes	No. Lots		
MDR-8	136	$208,080	--
MDR-6	102	$156,060	$159,181
MDR 7	96	$146,880	$149,818
Total CFD Taxes	**$820,019**	**$511,020**	**$308,999**
Capitalized Interest	No. Lots		
MDR-8	136	-$156,060	--
MDR-6	102	-$156,060	-$159,181
MDR 7	96	-$146,880	-$149,818
Total Capitalized Interest	**-$767,999**	**-$459,000**	**-$308,999**

SITE DEVELOPMENT COSTS

We deduct all costs associated with remaining off-site improvements, backbone infrastructure, on-sites, in-tract development, and engineering. These costs were previously discussed in the prior Property Description section and are summarized briefly here.

REMAINING OFF-SITES

As discussed in the prior *Property Description* section, the total remaining off-site costs are estimated at $343,000. The remaining off-site costs are recognized in year one.

SEWER LIFT STATION

The developer is required to construction the regional sewer lift station and force main within Improvement Area 2 once the project exceeds 1.2MGD sewer generation threshold. The total cost of these improvements is budgeted at $5,112,250; however, these improvements will also benefit areas outside of Improvement Area 2. The allocation of these sewer related costs to Improvement Area 2 provided by the master developer is $3,000,000.

The developer estimates that the 1.2MGD threshold will not be achieved until 1,400 to 1,600 residential units are completed within the overall Delta Shores project, which will likely be in excess of five years out. We have recognized this cost in year six of the projection and applied a 4% annual inflation factor to the current cost estimate.

MAIN INTERNAL ROADS

As discussed in the prior *Property Description* section, the main internal roadway costs are estimated at $14,861,157, which includes allocated soft costs at 15%. The allocated costs of internal roads between MDR-5 and the balance of the project are estimated as follows:

DELTA SHORES IA2 BACKBONE INFRASTRUCTURE		
Remaining Backbone Costs		
Direct Cost		$12,884,491
Soft Cost	15.0%	$1,932,674
Subtotal		$14,817,165
Plus: Offsite Cost		$43,992
Total Backbone Costs (1)		$14,861,157
Allocation to MDR-5 (1)		$1,255,315
Allocation to Remainder		**$13,605,841**
Total Backbone Cost		$14,861,157

(1) Based on Cost Share Allocation provided by developer.

The developer reports that these costs will be incurred in phases, spread over approximately a three year period. Our projection assumes that these costs will be incurred in equal increments over the first three years of the projection and applied a 4% annual inflation factor to the 2nd and 3rd year costs, as summarized below.

MAIN INTERNAL ROAD COSTS PER YEAR - REMAINDER				
Year	*Totals*	1	2	3
Total	*$14,861,157*	$4,953,719	$4,953,719	$4,953,719
Allocated				
MDR-5 Cost		$1,255,315	$0	$0
Remainder Cost		$3,698,404	$4,953,719	$4,953,719
Total	*$14,861,157*	$4,953,719	$4,953,719	$4,953,719
Excluding MDR-5	*$13,605,841*	$3,698,404	$4,953,719	$4,953,719
Appreciated Costs				
Adjustment Factor	--	1.00000	1.04000	1.08160
Remainder Cost	***$14,208,214***	**$3,698,404**	**$5,151,868**	**$5,357,942**

IN-TRACT LOT DEVELOPMENT

As discussed in the prior *Property Description* section, Signature Homes provided estimated lot development costs for each of the four MDR villages; however, their total cost estimate ($28,528,000 or $67,762 per MDR lot) included both in-tract lot development costs as well as costs for main internal roads adjacent to the MDR villages. An allocation (between in-tracts and main internal roads) was requested, but was not available. Therefore, the following in-tract costs were estimated based on analysis of cost comparables.

MDR VILLAGES - PROJECTED IN-TRACT LOT DEVELOPMENT COSTS				
Village	No. Res. Lots	Lot Size/SF	In-Tract Cost/Lot	Cost/Village
MDR-5	87	4,000	Analyzed Separately	
MDR-6	102	1,550	$45,000	$4,590,000
MDR-7	96	1,829	$45,000	$4,320,000
MDR-8	136	3,116	$50,000	$6,800,000
Totals/Averages	**421**	**2,626**	**$37,316**	**$15,710,000**

The in-tract costs for MDR-5 are excluded. The cost for MDR-8 ($6,800,000) is recognized in year one and the in-tract costs for MDR-6 and MDR-7 ($8,910,000 plus 4% inflation factor) are recognized in year two.

REMAINING MAP AND ENGINEERING COSTS

As previously discussed, only moderate remaining costs associated with mapping and engineering are anticipated. We have recognized a moderate cost of $100,000 in year one for remaining mapping and engineering costs.

DISCOUNT RATE

The final element in the discounted cash flow analysis is the discount rate that is applied to the individual cash flows. The discount rate is a rate of return commensurate with perceived risk used to convert future payments or receipts to present value. This rate reflects the compensation offered to an investor for assuming the inherent risk associated with the property. Naturally the discount rate varies with the size and complexity of the project and can be affected by numerous other factors. The discount rate is inclusive of developer profit.

A survey of discount rates was presented in the Subdivision Development Method section of this report. As stated, the subject property as unimproved land and would normally carry elevated risk relative to finished lots. This is true in the as-is condition, where development of backbone infrastructure and in-tract lot improvements can lead to significant cost overruns and profit reductions. However, this factor is mitigated, at least relative to the MDR component of the subject, by the robust developer demand for entitled residential land and lots. This is demonstrated by the fact that all of the subject MDR villages are presently under contract to one developer and also that Delta Shores West (3 villages totaling 348 tentative map lots on the west side of I-5) are also under contract to a national builder.

In addition, we have considered the length of the sell-out period. Rates of returns are generally lower for longer sell-out periods. With a 9-year sell-out period, a lower rate is reasonable given the magnitude of the discounting.

In order to support and appropriate discount rate for the subject we've considered published surveys by PwC and RealtyRates, as well as propriety BBG surveys.

PUBLISHED SURVEYS

Survey	Rate	Comment
PwC Real Estate Investor Survey 4th Quarter 2021	10% - 30%, with an average of 16.8%	Up 120 basis points from 2nd Quarter 2021
RealtyRates 4th Quarter 2021	15.3%- 33.1%, 23.2% average (Pro-Forma Rates)	California/Pacific Islands Region Subdivisions/PUDs 100-500 units Site-Built Residential

The PwC survey indicates, that on an unleveraged basis, discount rates (including developers' profit) for the national development land market range from 10.0% to 30.0% and average 16.8% this quarter – 120 basis points higher from six months ago.

The RealtyRates survey relates to ground-up construction through completed improvements. For site built residential, the IRR's range from about 15% to 33% and average near 23%. As our analysis is based on land and lot sales , a rate below the average is considered appropriate.

Developers surveyed in this market climate noted that projects are being looked at based on IRR requirements. BBG interviews with developers of various projects throughout Northern and Central California quoted IRR requirements within a range of 10% to 20%.

All things considered we estimate that a discount rate of 15% is best supported for the valuation of the overall project (as unimproved).

The discounted cash flow with the aforementioned parameters is presented on the following page.

BULK VALUATION - IMPROVEMENT AREA 2 (EXCLUDING MDR-5)

	Period Ending		Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30
		Totals	Yr	Yr	Yr.	Yr	Yr	Yr	Yr	Yr	Yr
REVENUE AND SALES	12 mos/period		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
LOT ABSORPTION											
MDR5			--	--	--	--	--	--	--	--	--
MDR6			*0*	*102*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
MDR7			*0*	*96*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
MDR8			*136*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total MDR		**334**	**136**	**198**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total HDR		**1,152**	**0**	**232**	**0**	**187**	**159**	**217**	**0**	**232**	**125**
	Total Lots Sold:	1,486	136	430	0	187	159	217	0	232	125
	Total Period Inventory:	-	1,486	1,350	920	920	733	574	357	357	125
Remaining SF			334	198	0	0	0	0	0	0	0
Remaining MF			1,152	1,152	920	920	733	574	357	357	125
MDR LOT VALUES (PER LOT)											
MDR5			--	--	--	--	--	--	--	--	--
MDR6			*$135,000*	*$135,000*	--	--	--	--	--	--	--
MDR7			*$145,000*	*$145,000*	--	--	--	--	--	--	--
MDR8			*$160,000*	*$160,000*	--	--	--	--	--	--	--
HDR LOT VALUES (PER LOT)			*$22,000*	*$22,880*	*$23,795*	*$24,747*	*$25,737*	*$26,766*	*$27,837*	*$28,950*	*$30,109*
REVENUE											
Single Family		$49,450,000	$21,760,000	$27,690,000	$0	$0	$0	$0	$0	$0	$0
Total HDR		$30,316,397	$0	$5,308,160	$0	$4,627,690	$4,092,165	$5,808,301	$0	$6,716,516	$3,763,565
TOTAL LOT REVENUE		$79,766,397	$21,760,000	$32,998,160	$0	$4,627,690	$4,092,165	$5,808,301	$0	$6,716,516	$3,763,565
EXPENSES AND CASH FLOWS											
GENERAL AND ADMINISTRATIVE	1.0%	$797,664	$88,629	$88,629	$88,629	$88,629	$88,629	$88,629	$88,629	$88,629	$88,629
MARKETING/COMMISSIONS - MDR LAND	1.0%	$494,500	$217,600	$276,900	$0	$0	$0	$0	$0	$0	$0
MARKETING/COMMISSIONS - HDR LAND	3.0%	$909,492	$0	$159,245	$0	$138,831	$122,765	$174,249	$0	$201,495	$112,907
AD VALOREM	1.1167%	$893,487	$286,992	$216,078	$90,111	$90,111	$71,795	$56,222	$34,967	$34,967	$12,243
DIRECT LEVIES		$241,663	$50,000	$46,332	$32,206	$32,850	$26,697	$21,324	$13,528	$13,798	$4,928
CFD TAXES - HDR LAND		$1,661,566	$288,000	$293,760	$239,292	$244,078	$198,356	$158,436	$100,510	$102,520	$36,614
CFD TAXES - MDR LAND		$820,019	$511,020	$308,999	$0	$0	$0	$0	$0	$0	$0
CAPITALIZED CFD INTEREST		($767,999)	($459,000)	($308,999)	$0	$0	$0	$0	$0	$0	$0
REMAINING OFF-SITE COSTS		$343,000	$343,000	$0	$0	$0	$0	$0	$0	$0	$0
SEWER LIFT STATION COST		$3,649,959	$0	$0	$0	$0	$0	$3,649,959	$0	$0	$0
MAIN INTERNAL ROADS COST		$14,208,214	$3,698,404	$5,151,868	$5,357,942	$0	$0	$0	$0	$0	$0
INTRACT LOT DEVELOPMENT COSTS (MDR)		$16,066,400	$6,800,000	$9,266.400	$0	$0	$0	$0	$0	$0	$0
REMAINING MAP AND ENGINEERING COSTS		$100,000	$100,000	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL EXPENSES		$39,417,964	$11,924,645	$15,499,212	$5,808,181	$594,500	$508,242	$4,148,818	$237,634	$441,410	$255,322
NET INCOME		$40,348,434	$9,835,355	$17,498,948	($5,808,181)	$4,033,191	$3,583,923	$1,659,483	($237,634)	$6,275,106	$3,508,243
DISCOUNT RATE / PRESENT VALUE FACTOR	15.0%		0.86957	0.75614	0.65752	0.57175	0.49718	0.43233	0.37594	0.32690	0.28426
DISCOUNTED CASH FLOW		$25,729,771	$8,552,483	$13,231,719	($3,818,973)	$2,305,990	$1,781,843	$717,440	($89,335)	$2,051,343	$997,262
VALUE CONCLUSION		**$25,700,000**									

FINAL OPINION OF VALUE

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our value opinion follows:

CONCLUSION - HYPOTHETICAL FEE SIMPLE MARKET VALUE			
Ownership	Area	Date of Value	Concluded Value
MHRP/Signature Homes JV I LLC	MDR-5	April 1, 2022	$9,300,000
M & H Realty Partners VI LP	Remainder of Property	April 1, 2022	$25,700,000
Aggregate Value			$35,000,000

The value reported above is subject to the extraordinary assumptions, hypothetical conditions, standard assumptions and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than the Client and Intended Users may use or rely on the information, opinions and conclusions contained in the report.

EXPOSURE TIME AND MARKETING PERIOD

Exposure time is the period a property interest would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. In attempting to estimate a reasonable exposure time for the subject property, we looked at both the historical exposure times of a number of sales, as well as current economic conditions. Demand remains high for bulk purchase of lots. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local market, it is our opinion that the probable exposure time is 9 months for the subject lots, based on the concluded value(s) and as of the date of value.

Marketing time is an estimate of the time to sell a property interest in real estate at the estimated market value during the period immediately after the effective date of value. A reasonable marketing time is estimated by comparing the recent exposure time of similar properties, and then taking into consideration current and future economic conditions and how they may impact marketing of the subject property. We see no significant changes in market conditions in the near term; therefore, it is our opinion that a reasonable marketing period is likely to be similar to the exposure time. Accordingly, we estimate the subject's marketing period at 9 months, based on the concluded value(s) and as of the date of value.

CERTIFICATION

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. 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.

3. 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 with this assignment.

4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. 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.

7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.

8. We have previously appraised the property that is the subject of this report for the current client within the three-year period immediately preceding acceptance of this assignment.

9. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as applicable state laws and regulations.

10. The reported analyses, opinions, and Value Indications were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics, the Standards of Professional Appraisal Practice of the Appraisal Institute.

11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

12. As of the date of this report, Arthur Leck, MAI and Scott Beebe, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.

13. Arthur Leck, MAI and Scott Beebe, MAI, have personally inspected the property.

14. No one provided significant real property appraisal assistance to the person signing this certification.

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STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

1) Notwithstanding that Appraiser may comment on, analyze or assume certain conditions in the appraisal, BBG, Inc. shall have no monetary liability or responsibility for alleged claims or damages pertaining to: (a) title defects, liens or encumbrances affecting the property; (b) the property's compliance with local, state or federal zoning, planning, building, disability access and environmental laws, regulations and standards; (c) building permits and planning approvals for improvements on the property; (d) structural or mechanical soundness or safety; (e) contamination, mold, pollution, storage tanks, animal infestations or other hazardous conditions affecting the property; and (f) other conditions and matters for which licensed real estate appraisers are not customarily deemed to have professional expertise. Accordingly:

    a) The Appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the Appraiser or the Appraiser's staff or was obtained or taken from referenced sources and is considered reliable. The Appraiser and BBG, Inc. shall not be monetarily liable or responsible for or assume the costs of preparation or arrangement of geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.

    b) Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment. Further, unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Further, unless otherwise stated, it is assumed that there are no rights associated with extraction or exploration of such elements considered. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.

    c) Any legal description or plats reported in the appraisal are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. BBG, Inc. has made no survey of the property and assumes no monetary liability or responsibility in connection with such matters.

    d) Title is assumed to be good and marketable, and in fee simple, unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated. Further, BBG, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.

    e) The appraisal report is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the appraisal report; additionally, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the appraisal report. Further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value opinion. Moreover, unless otherwise stated herein, it is assumed that there are no encroachments or violations of any zoning or other regulations affecting the subject property, that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there are no trespasses or encroachments.

f) The American Disabilities Act (ADA) became effective January 26, 1992. The Appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative impact upon the value of the property. Since the Appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

g) No monetary liability or responsibility is assumed for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.

h) It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein. Further, it is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.

i) Unless otherwise stated within the appraisal report, the depiction of the physical condition of the improvements described therein is based on visual inspection. No monetary liability or responsibility is assumed for (a) the soundness of structural members since no engineering tests were conducted; (b) the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made; and (c) hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during the Appraiser's inspection.

j) If building improvements are present on the site, it is assumed that no significant evidence of termite damage or infestation was observed during physical inspection, unless so stated in the appraisal report. Further, unless so stated in the appraisal report, no termite inspection report was available. No monetary liability or responsibility is assumed for hidden damages or infestation.

k) Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No monetary liability or responsibility is assumed for such conditions or for engineering which may be required to discover them.

l) BBG, Inc. is not an expert in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. BBG, Inc. assumes no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraiser is not qualified to detect such substances. The Client is urged to retain an expert in this field; however, Client retains such expert at Client's own discretion, and any costs and/or expenses associated with such retention are the responsibility of Client.

m) BBG, Inc. is not an expert in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. BBG, Inc. assumes no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The Appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions contained within the appraisal repot based upon any subsequent endangered species impact studies, research, and investigation that may be provided. However, it is assumed that no environmental impact studies were either requested or made in conjunction with this analysis, unless otherwise stated within the appraisal report.

2) If the Client instructions to the Appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.

3) If provided, the estimated insurable value is included at the request of the Client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The Appraiser is not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The Appraiser is not a cost expert in cost estimating for insurance purposes.

4) The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.

5) The value opinions reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value opinions, unless such proration or division of interests is set forth in the report. Any division of the land and improvement values stated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.

6) Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are BBG, Inc.'s best estimate of current market thinking of what future trends will be. No warranty or representation is made that such projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

7) The Appraiser assumes no monetary liability or responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.

8) Any proposed or incomplete improvements included in the appraisal report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.

9) If the appraisal report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the Appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

10) Although the Appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the Appraiser either by the Client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the Appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or opinions of value.

11) The right is reserved by the Appraiser to make adjustments to the analyses, opinions, and conclusions set forth in the appraisal report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the Appraiser. The Appraiser shall have no monetary liability or responsibility for any unauthorized change(s) to the report.

12) The submission of the appraisal report constitutes completion of the services authorized and agreed upon. Such appraisal report is submitted on the condition the Client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, or judicial or administrative

proceedings. In the event the Appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the Client immediately. The Client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files, and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the opinion of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the Client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.

ADDENDA

APPRAISER QUALIFICATIONS

BBG

Arthur Leck, MAI
Managing Director
Work: 916-949-7377
aleck@bbgres.com

Profile

Arthur Leck is a Managing Director at BBG in the Sacramento office. His Background includes over 25 years of consultation and valuation analysis of commercial and residential properties. Prior to joining BBG, Mr. Leck was a principal and Managing Director with Integra Realty Resources - Sacramento (2000-2017). Previous work affiliations include Morgan, Beebe & Harper of Sacramento (Senior Appraiser, 1996-2000), First Interstate Bank (Staff Appraiser, 1992-1996), and Stephen R. Clark & Associates (1989-1992).

Experience includes the analysis of various property types including land and master planned communities, multi-family, retail, office, industrial and special purpose properties in Northern California. Specialized property types include residential subdivisions, LIHTC and senior apartment communities, automobile dealerships, assessment districts, self-storage facilities, power centers, school facilities, medical office buildings and others. Services provided include valuation analyses, feasibility and market studies and real estate counseling. Clients served include various financial concerns, law and public accounting firms, private and public agencies, pension and advisory companies, investment firms, and the general public.

Professional Affiliations

Appraisal Institute
Member Designation

Certified General Appraiser:
State of California (License #AG 011823)
State of Nevada (License #A.0207409)
Board of Director: Appraisal Institute, Sacramento Sierra Chapter, January 2010 - December 2011
Education Committee: Appraisal Institute, Sacramento Sierra Chapter, January 2005 - December 2009

Education

Bachelor of Science, Managerial Economics, University of California, Davis
Completed numerous real estate related courses and seminars sponsored by the Appraisal Institute, accredited universities and others.
Currently certified by the Appraisal Institute’s voluntary program of continuing education for its designated members.

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Arthur A. Leck

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 011823

Effective Date: May 14, 2021
Date Expires: May 13, 2023

Loretta Dillon

Loretta Dillon, Deputy Bureau Chief, BREA

3058313

Scott Beebe, MAI
Senior Managing Director
Work: 916-949-7360
sbeebe@bbgres.com

Profile

Scott Beebe is a Senior Managing Director at BBG in the Sacramento office. Mr. Beebe has over 30 years of experience in the valuation and analysis of commercial real estate including multi-family, retail, industrial, office, mixed-use and development land. Prior to BBG, Scott was one of the founding partners of Integra Realty Resources in 1999. Specialized property types include all types of lodging facilities, affordable housing, senior apartment communities, sports and health club facilities, golf course properties, automobile dealerships, manufactured home parks, self-storage facilities, regional malls and power centers and others.

Mr. Beebe has provided valuation and consulting services for condemnation purposes, estate, financing, equity participation and due diligence support. Specialized services include portfolio valuations, institutional-grade property valuations, market feasibility studies and acquisition/disposition counseling. Mr. Beebe has testified as an expert witness in superior and municipal courts. Clients served include life insurance companies, pension funds and pension fund advisors, banks and financial institutions, conduits, developers and investors, law firms, businesses/ corporations and government.

Professional Affiliations & Licences

<u>Appraisal Institute</u>
Member (MAI)
Lambda Alpha International – Honorary Land Economics Society
Board Director, Sacramento Sierra Chapter, Current Board Member and 2000-2002
Education Committee Member & Chair, (1996-2002)

<u>General Certified Appraiser:</u>
State of California (License # AG 015266)

Education

B.B.A. Degree, Business Administration, University of Texas, Austin, Texas, 1988
Successfully completed numerous real estate related courses and seminars sponsored by the Appraisal Institute, accredited universities and others.
Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members

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Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Michael S. Beebe

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 015266

Effective Date: February 11, 2021
Date Expires: February 10, 2023

Loretta Dillon

Loretta Dillon, Deputy Bureau Chief, BREA

3056198

TITLE REPORT

April 22, 2021 Amendment

First American Title Insurance Company
National Commercial Services

3281 E Guasti Road, Suite 440
Ontario, CA 91761

Karen C. Ahearn
Glaser Weil Fink Howard Avchen &, Shapiro LLP
10250 Constellation Boulevard, 19th Floor
Los Angeles, CA 90067
Phone: (310)556-7852
Fax: (310)843-2652

Customer Reference:	CFD Improvement Area #2
Title Officer:	Wendy Hagen Bowen
Phone:	(909)510-6225
Email:	whagen@firstam.com
Owner:	M&H Realty Partnership VI LP

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Exhibit A attached. *The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties.* Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit A. Copies of the policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of April 14, 2021 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

To Be Determined

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

M & H Realty Partners VI L.P., a California Limited Partnership

The estate or interest in the land hereinafter described or referred to covered by this Report is:

Fee

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. General and special taxes and assessments for the fiscal year 2021-2022, a lien not yet due or payable.

2. This item has been intentionally deleted.

3. This item has been intentionally deleted.

4. This item has been intentionally deleted.

5. Assessment liens, if applicable, collected with the general and special taxes, including but not limited to those disclosed by the reflection of the following on the tax roll:

   1915 Bond for SAFCA Consolidated Cap Asmt #2.

6. The land lies within the boundaries of proposed community facilities District No. 2002-02, as disclosed by a map filed December 13, 2010 in Book 111, Page 0028 of maps of assessment and community facilities districts.

7. The land lies within the boundaries of proposed community facilities District No. 2012-01, as disclosed by a map filed October 03, 2012 in Book 114, Page 0013 of maps of assessment and community facilities districts.

8. The lien of special tax assessed pursuant to Chapter 2.5 commencing with Section 53311 of the California Government Code for Community Facilities District No. 2014-04, as disclosed by Notice of Special Tax Lien recorded April 08, 2016 as Book 20160408, Page 639 of Official Records.

9. The lien of special tax assessed pursuant to Chapter 2.5 commencing with Section 53311 of the California Government Code for Community Facilities District No. 2019-01, as disclosed by Notice of Special Tax Lien recorded November 04, 2019 as Book 20191104, Page 0511 of Official Records.

10. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

11. Any unpaid amounts owing for utilities, of record or not, due to the County and/or any of the following entities:

    Sacramento County Utility Billing office at (916) 875-5555.

    City of Sacramento at Utility Billing Office at (916) 808-5454.

12. An easement for transmission and distribution of electricity and for telephone purposes and incidental purposes, recorded December 23, 1922 in Book 626 of Deeds, Page 77.
    In Favor of: Great Western Power Company of California
    Affects: As described therein

    The location of the easement cannot be determined from record information.

13. An easement for transmission and distribution of electricity and incidental purposes, recorded December 23, 1922 in Book 626 of Deeds, Page 78.
    In Favor of: Great Western Power Company, a corporation
    Affects: As described therein

    The location of the easement cannot be determined from record information.

14. An easement for transmission and distribution of electricity and incidental purposes, recorded December 23, 1922 in Book 626 of Deeds, Page 79.
    In Favor of: Great Western Power Company, a California corporation
    Affects: As described therein

    The location of the easement cannot be determined from record information.

15. An easement for transmission of electricity and incidental purposes, recorded June 13, 1927 as Book 127, Page 494 of Official Records.
    In Favor of: Great Western Power Company, a California corporation
    Affects: as described therein

    Portion of said easement Quitclaimed through Easement Quitclaim document recorded on May 28, 2015 as Book 20150528, Page 0963 of Official Records.

    The location of the easement cannot be determined from record information.

16. An easement for transmission and distribution of electricity and incidental purposes, recorded June 13, 1927 as Book 127, Page 498 of Official Records.
    In Favor of: Great Western Power Company of California
    Affects: as described therein

Portion of said easement Quitclaimed through Easement Quitclaim document recorded on May 28, 2015 as Book 20150528, Page 0963 of Official Records.

The location of the easement cannot be determined from record information.

17. An easement for the transmission and distribution of electricity and wires and incidental purposes, recorded August 15, 1930 as Book 321, Page 49 of Official Records.

In Favor of:	Great Western Power Company of California
Affects:	as described therein

The location of the easement cannot be determined from record information.

18. An easement for transmission and distribution of electricity and incidental purposes, recorded July 12, 1946 as Book 1257A, Page 40 of Official Records.

In Favor of:	Pacific Gas and Electric Company
Affects:	as described therein

The location of the easement cannot be determined from record information.

19. An easement for sewer and drainage pipe lines and incidental purposes, recorded July 30, 1964 as Book 5023, Page 204 of Official Records.

In Favor of:	City of Sacramento
Affects:	As described therein

20. An easement for build, construct, reconstruct and to operate and maintain a drainage pipe lines and incidental purposes, recorded September 11, 1964 as Book 5059, Page 24 of Official Records.

In Favor of:	City of Sacramento, a Municipal corporation
Affects:	As described therein

21. Abutter's rights of ingress and egress to or from Interstate 5 have been relinquished in the document recorded May 01, 1978 as Book 780501, Page 843 of Official Records.

22. Any lease, grant, exception or reservation of minerals or mineral rights as described in the deed executed by Harry M. Tonkin and Dalton G. Feldstein, as trustees of the Freeport Liquidating Trust, recorded June 29, 1984, in Book 84 06 29, Page 1677, Official Records and also described in the quitclaim deed dated January 19, 1960, recorded January 20, 1960, in Book 3980 of Official Records Page 661, executed by Lester C. Hunt and Martha Hunt, his wife, to California Pacific Title Company, Sacramento Division, a corporation, and modified by Deed dated February 15, 1960, recorded March 25, 1960, in Book 4024 of Official Records, Page 939, executed by said parties, and as conveyed by deed dated March 18, 1960, recorded March 25, 1960, in Book 4024 of Official Records, Page 940, executed by California Pacific Title Company, Sacramento Division, a corporation to Lester C. Hunt and Martha E. Hunt, his wife, as joint tenants.

23. The terms and provisions contained in the document entitled "Contract for Exchange of Real Property" recorded January 17, 1986 as Book 8601-17, Page 1771 of Official Records.

24. Covenants, conditions, restrictions and easements in the document recorded June 18, 1990 as Book 9006-18, Page 1637 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or Section 12955 of the California Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

25. The terms and provisions contained in the document entitled "Release Agreement and Covenant Not to Sue" recorded February 01, 2005 as Book 20050201, Page 1126 of Official Records.

26. The terms and provisions contained in the document entitled "Memorandum of Purchase Agreement" recorded October 19, 2005 as Book 20051019, Page 2302 of Official Records.

    The terms and provisions contained in the document entitled "Memorandum of Assignment of and Amendment and Restatement of Purchase Agreement" recorded June 07, 2007 as Book 20070607, Page 371 of Official Records.

27. The terms and provisions contained in the document entitled "Memorandum of Assignment of Agreement of Purchase and Sale (and Joint Escrow Instructions)" recorded January 03, 2006 as Book 20060103, Page 1812 of Official Records.

28. An easement for laying down, constructing, reconstructing, removing, replacing, repairing, maintaining operating and using, as FRWA may see fit, a pipe or pipelines for the transmission and distribution of water and all necessary braces, connections, fastenings and other appliances and fixtures including underground telemetry and electrical cables for use in connection therewith or appurtenant thereto and incidental purposes, recorded June 06, 2007 as Book 20070606, Page 1378 of Official Records.

In Favor of:	Freeport Regional Water Authority, a joint powers authority formed under a Joint Powers Agreement between Sacramento County Water Agency and East Bay Municipal Utility District
Affects:	As described therein

29. An easement for sewer with ingress and egress thereto and incidental purposes, recorded June 20, 2007 as Book 20070620, Page 1229 of Official Records.

In Favor of:	Sacramento Regional County Sanitation District
Affects:	As described therein

    A portion of said sewer easement was quitclaimed to the City of Sacramento by Quitclaim Deed recorded May 18, 2009 in Book 20090518, Page 887 of Official Records.

30. The terms, provisions and easement(s) contained in the document entitled "Freeport Regional Water Authority Temporary Monitoring Easement and Agreement" recorded October 05, 2007 as Book 20071005, Page 1072 of Official Records.

31. The terms and provisions contained in the document entitled "Development Agreement for Delta Shores Project # P06-197 between the City of Sacramento and M&H Realty Partners VI, LP" recorded February 27, 2009 as Book 20090227, Page 0082 of Official Records.

Document(s) declaring modifications thereof recorded October 18, 2010 as Book 20101018, Page 1169 of Official Records.

Document(s) declaring modifications thereof recorded November 26, 2019 as Book 20191126, Page 0667 of Official Records.

Document(s) declaring modifications thereof recorded June 26, 2020 as Book 20200626, Page 0043 of Official Records.

The effect of a document entitled "Notice of Partial Termination Development Agreement for Delta Shores Project", recorded March 30, 2021 as Instrument No. 2021-3301083 of Official Records.

32. The terms and provisions contained in the document entitled "Public Improvement Agreement - By and Between the City of Sacramento and M & H Realty Partners VI, LP" recorded March 29, 2013 as Book 20130329, Page 2469 of Official Records.

A document entitled "Partial Release of Public Improvement Agreement" recorded June 23, 2016 as Book 20160623, Page 1390 of Official Records.

33. The terms and provisions contained in the document entitled "Drainage Easement Agreement - By and Between M&H Realty Partners VI, LP and the City of Sacramento" recorded May 21, 2013 as Book 20130521, Page 1216 of Official Records.

34. An easement for pipelines for the transmission and distribution of water and incidental purposes, recorded December 09, 2014 as Book 20141209, Page 1179 of Official Records.

In Favor of:	Freeport Regional Water Authority, a joint powers authority
Affects:	As described therein

35. An easement for the construction, use, repair, rehabilitation and maintenance of public road and incidental purposes, recorded December 09, 2014 as Book 20141209, Page 1244 of Official Records.

In Favor of:	City of Sacramento, a municipal corporation
Affects:	as described therein

36. A waiver of any claims for damages by reason of the location, construction, landscaping or maintenance of a contiguous freeway, highway, roadway or transit facility as contained in the document recorded December 09, 2014 as Book 20141209, Page 1244 of Official Records.

37. An easement for the construction, use, repair, rehabilitation and maintenance of public utilities and incidental purposes, recorded December 09, 2014 as Book 20141209, Page 1245 of Official Records.

In Favor of:	City of Sacramento, a municipal corporation
Affects:	as described therein

38. A waiver of any claims for damages by reason of the location, construction, landscaping or maintenance of a contiguous freeway, highway, roadway or transit facility as contained in the document recorded December 09, 2014 as Book 20141209, Page 1245 of Official Records.

39. An easement for electrical and communication facilities and incidental purposes, recorded April 16, 2015 as Book 20150416, Page 775 of Official Records.

In Favor of:	Sacramento Municipal Utility District, a municipal utility district
Affects:	as described therein

40. An easement for electrical and communication facilities and incidental purposes, recorded June 01, 2015 as Book 20150601, Page 946 of Official Records.

In Favor of:	Sacramento Municipal Utility District, a municipal utility district
Affects:	As described therein

41. The terms, provisions and easement(s) contained in the document entitled "Memorandum of Agreement (Easement Use Agreement)" recorded October 30, 2015 as Book 20151030, Page 1624 of Official Records.

42. The terms, provisions and easement(s) contained in the document entitled "Memorandum of Development Agreement" recorded February 16, 2016 as Book 20160216, Page 48 of Official Records.

43. An easement shown or dedicated on the map of Final Map of Delta Shores Phase 1 Subdivision No. P06-197 recorded June 22, 2016 and on file in Book 392, Page 1-10, of Tract Maps.
For: public utility, public road and incidental purposes.

44. The terms, provisions and easement(s) contained in the document entitled "Temporary Construction Easement" recorded July 01, 2016 as Book 20160701, Page 1254 of Official Records.

45. The terms, provisions and easement(s) contained in the document entitled "Temporary Construction Easement" recorded July 01, 2016 as Book 20160701, Page 1255 of Official Records.

46. An easement for recycled water pipeline and incidental purposes, recorded March 19, 2018 as Book 20180319, Page 820 of Official Records.

In Favor of:	Sacramento Regional County Sanitation District
Affects:	As described therein

47. We find no outstanding voluntary liens of record affecting subject property. An inquiry should be made concerning the existence of any unrecorded lien or other indebtedness which could give rise to any security interest in the subject property.

48. Water rights, claims or title to water, whether or not shown by the Public Records.

49. This item has been intentionally deleted.

50. Rights of parties in possession.

51. Any claim that any portion of the land is or was formerly tidelands and submerged lands within the bed of any tidal slough, creek or river.

INFORMATIONAL NOTES

ALERT - CA Senate Bill 2 imposes an additional fee of $75 up to $225 at the time of recording on certain transactions effective January 1, 2018. Please contact your First American Title representative for more information on how this may affect your closing.

1. Taxes for proration purposes only for the fiscal year 2020-2021.

First Installment:	$115,760.46, PAID
Second Installment:	$115,760.46, PAID
Tax Rate Area:	03-056
APN:	053-0180-030-0000

Affects a portion of said land.

2. Taxes for proration purposes only for the fiscal year 2020-2021.

First Installment:	$19,555.28, PAID
Second Installment:	$19,555.28, PAID
Tax Rate Area:	03-056
APN:	053-0180-031-0000

Affects a portion of said land.

3. Taxes for proration purposes only for the fiscal year 2020-2021.

First Installment:	$2,178.75, PAID
Second Installment:	$2,178.75, PAID
Tax Rate Area:	03-056
APN:	053-0180-032-0000

Affects a portion of said land.

4. The property covered by this report is vacant land.

5. According to the public records, there has been no conveyance of the land within a period of twenty four months prior to the date of this report, except as follows:

A document recorded May 14, 2019 as Book 20190514 Page 1227 of Official Records.

From:	M & H Realty Partners VI L.P., a California Limited Partnership
To:	M & H Realty Partners VI L.P., a California Limited Partnership

6. This preliminary report/commitment was prepared based upon an application for a policy of title insurance that identified land by street address or assessor's parcel number only. It is the responsibility of the applicant to determine whether the land referred to herein is in fact the land that is to be described in the policy or policies to be issued.

7. Should this report be used to facilitate your transaction, we must be provided with the following prior to the issuance of the policy:

A. WITH RESPECT TO A CORPORATION:

1. A certificate of good standing of recent date issued by the Secretary of State of the corporation's state of domicile.
2. A certificate copy of a resolution of the Board of Directors authorizing the contemplated transaction and designating which corporate officers shall have the power to execute on behalf of the corporation.
3. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
4. Requirements which the Company may impose following its review of the above material and other information which the Company may require.

B. WITH RESPECT TO A CALIFORNIA LIMITED PARTNERSHIP:

1. A certified copy of the certificate of limited partnership (form LP-1) and any amendments thereto (form LP-2) to be recorded in the public records;
2. A full copy of the partnership agreement and any amendments;
3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
4. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
5. Requirements which the Company may impose following its review of the above material and other information which the Company may require.

C. WITH RESPECT TO A FOREIGN LIMITED PARTNERSHIP:

1. A certified copy of the application for registration, foreign limited partnership (form LP-5) and any amendments thereto (form LP-6) to be recorded in the public records;
2. A full copy of the partnership agreement and any amendment;
3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
4. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
5. Requirements which the Company may impose following its review of the above material and other information which the Company may require.

D. WITH RESPECT TO A GENERAL PARTNERSHIP:

1. A certified copy of a statement of partnership authority pursuant to Section 16303 of the California Corporation Code (form GP-I), executed by at least two partners, and a certified copy of any amendments to such statement (form GP-7), to be recorded in the public records;
2. A full copy of the partnership agreement and any amendments;
3. Requirements which the Company may impose following its review of the above material required herein and other information which the Company may require.

E. WITH RESPECT TO A LIMITED LIABILITY COMPANY:

1. A copy of its operating agreement and any amendments thereto;
2. If it is a California limited liability company, a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) to be recorded in the public records;
3. If it is a foreign limited liability company, a certified copy of its application for registration (LLC-5) to be recorded in the public records;
4. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, such document or instrument must be executed in accordance with one of the following, as appropriate:

(i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such documents must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;

(ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.

5. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
6. Requirements which the Company may impose following its review of the above material and other information which the Company may require.

F. WITH RESPECT TO A TRUST:

1. A certification pursuant to Section 18100.5 of the California Probate Code in a form satisfactory to the Company.
2. Copies of those excerpts from the original trust documents and amendments thereto which designate the trustee and confer upon the trustee the power to act in the pending transaction.
3. Other requirements which the Company may impose following its review of the material require herein and other information which the Company may require.

G. WITH RESPECT TO INDIVIDUALS:

1. A statement of information.

The map attached, if any, may or may not be a survey of the land depicted hereon. First American Title Insurance Company expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

LEGAL DESCRIPTION

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

PARCEL B AS SHOWN ON CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT NO. COC18-0061, AS EVIDENCED BY DOCUMENT RECORDED MAY 06, 2019 AS INSTRUMENT NO. 201905060932 OF OFFICIAL RECORDS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEING A PORTION OF THE LANDS OF M & H REALTY PARTNERS VI L.P., A CALIFORNIA LIMITED PARTNERSHIP RECORDED ON JUNE 30, 2016 IN BOOK 20160630 OF OFFICIAL RECORDS OF SACRAMENTO COUNTY, AT PAGE 1120 AND A PORTION OF PARCEL 1 AS DESCRIBED IN THAT GRANT DEED RECORDED ON NOVEMBER 2, 2018 IN DOCUMENT NUMBER 201811020883 OFFICIAL RECORDS OF SACRAMENTO COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEASTERLY CORNER OF LOT 24 AS SHOWN ON THAT FINAL MAP OF "DELTA SHORES PHASE 1 SUBDIVISION NO. P06-197" FILED JUNE 22, 2016 IN BOOK 392 OF MAPS, AT PAGE 1, OFFICIAL RECORDS OF SACRAMENTO COUNTY, THENCE FROM SAID POINT OF BEGINNING ALONG THE EASTERLY LINE OF SAID LOT 24 NORTH 16°59'37" EAST 207.68 FEET TO A POINT ON SAID EASTERLY LINE, ALSO BEING A POINT ON THE SOUTHERLY LINE OF SAID PARCEL 1 ALSO BEING THE NORTHERLY LINE OF PARCEL 4 AS DESCRIBED IN THAT CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT RECORDED JULY 25, 2013 IN BOOK 20130725 OFFICIAL RECORDS OF SACRAMENTO COUNTY, AT PAGE 1062; THENCE LEAVING THE NORTHERLY LINE OF SAID PARCEL 4, CONTINUING ALONG THE EASTERLY LINE OF SAID LOT 24, ALSO BEING THE SOUTHERLY LINE OF SAID PARCEL 1 NORTH 16°59'37" EAST 119.75 FEET TO THE NORTHEASTERLY CORNER OF SAID LOT 24; THENCE LEAVING THE EASTERLY LINE OF SAID LOT 24, ALSO BEING THE SOUTHERLY LINE OF SAID PARCEL 1 SOUTH 72°53'36" EAST 375.93 FEET TO A POINT ON THE SOUTHERLY LINE OF SAID PARCEL 1 ALSO BEING THE NORTHERLY LINE OF SAID PARCEL 4; THENCE LEAVING THE SOUTHERLY LINE OF SAID PARCEL 1 ALSO BEING THE NORTHERLY LINE OF SAID PARCEL 4 THE FOLLOWING FIVE (5) COURSES: 1) SOUTH 72°53'36" EAST 278.23 FEET TO A FOUND BRASS DISC IN A MONUMENT WELL STAMPED "CITY MONUMENT SACRAMENTO CA", 2) CONTINUING ALONG THE AFOREMENTIONED LINE SOUTH 72°53'36" EAST 1,064.84 FEET TO A FOUND BRASS DISC IN A MONUMENT WELL STAMPED "CITY MONUMENT SACRAMENTO CA", ALSO BEING A POINT OF CURVATURE; 3) ALONG THE ARC OF A TANGENT CURVE TO THE LEFT HAVING A RADIUS OF 2,725.06 FEET, A CENTRAL ANGLE OF 02°34'52" AND AN ARC LENGTH OF 122.76 FEET, SAID ARC BEING SUBTENDED BY A CHORD WHICH BEARS SOUTH 74°11'02" EAST 122.75 FEET TO A FOUND BRASS DISC IN A MONUMENT WELL STAMPED "CITY MONUMENT SACRAMENTO CA"; 4) CONTINUING ALONG THE AFOREMENTIONED CURVE TO THE LEFT HAVING A RADIUS OF 2,725.06 FEET, A CENTRAL ANGLE OF 14°50'57" AND AN ARC LENGTH OF 706.24 FEET, SAID ARC BEING SUBTENDED BY A CHORD WHICH BEARS SOUTH 82°53'57" EAST 704.27 FEET TO A FOUND BRASS DISC IN A MONUMENT WELL STAMPED "CITY MONUMENT SACRAMENT() CA", ALSO BEING A POINT OF TANGENCY; 5) NORTH 89°40'35" EAST 655.56 FEET TO A FOUND BRASS DISC IN A MONUMENT WELL STAMPED "CITY MONUMENT SACRAMENTO CA", ALSO BEING A POINT ON THE NORTHERLY LINE OF SAID PARCEL 4; THENCE ALONG THE NORTHERLY, EASTERLY AND SOUTHERLY LINES OF SAID PARCEL 4 THE FOLLOWING FIVE (5) COURSES: 1) NORTH 89°40'35" EAST 1,302.87 FEET TO A FOUND BRASS DISC IN A MONUMENT WELL STAMPED "CITY MONUMENT SACRAMENTO CA"; 2) CONTINUING ALONG THE NORTHERLY LINE OF SAID PARCEL 4 NORTH 89°40'35" EAST 359.67 FEET; 3) SOUTH 00°19'21" EAST 620.41 FEET; 4) SOUTH 89°40'59" WEST 31.35 FEET TO A POINT OF CURVATURE; 5) ALONG THE ARC OF A NON-TANGENT CURVE TO THE LEFT HAVING A RADIUS OF 4,070.00 FEET, A CENTRAL ANGLE OF 34°10'09" AND AN ARC LENGTH OF 2,427.21 FEET, SAID ARC BEING SUBTENDED BY A CHORD WHICH BEARS SOUTH 72°35'24" WEST 2,391.40 FEET TO A POINT ON THE SOUTHEASTERLY LINE OF LOT A AS SHOWN IN SAID FINAL MAP TITLED "DELTA SHORES PHASE 1 SUBDIVISION NO. P06-197"; THENCE LEAVING THE SOUTHERLY LINE OF SAID PARCEL 4 ALONG THE SOUTHEASTERLY AND NORTHEASTERLY LINE OF SAID LOT A THE FOLLOWING TWO (2) COURSES: 1) NORTH 55°30'21" EAST 191.91 FEET; 2) NORTH 34°29'39" WEST 56.50 FEET TO THE CENTERLINE OF

DELTA SHORES CIRCLE SOUTH AS SHOWN ON THAT SAID FINAL MAP OF "DELTA SHORES PHASE 1 SUBDIVISION NO. P06-197"; THENCE ALONG THE CENTERLINE OF SAID DELTA SHORES CIRCLE SOUTH THE FOLLOWING SEVEN (7) COURSES: 1) SOUTH 55°30'21" WEST 655.42 FEET TO A POINT OF CURVATURE; 2) ALONG THE ARC OF A TANGENT CURVE TO THE RIGHT HAVING A RADIUS OF 1000.00 FEET, A CENTRAL ANGLE OF 24°39'19" AND AN ARC LENGTH OF 430.32 FEET, SAID ARC BEING SUBTENDED BY A CHORD WHICH BEARS SOUTH 67°50'01" WEST 427.00 FEET TO A POINT OF TANGENCY; 3) SOUTH 80°09'40" WEST 916.36 FEET TO A POINT OF CURVATURE; 4) ALONG THE ARC OF A TANGENT CURVE TO THE RIGHT HAVING A RADIUS OF 1200.00 FEET, A CENTRAL ANGLE OF 85°30'09" AND AN ARC LENGTH OF 1,790.76 FEET, SAID ARC BEING SUBTENDED BY A CHORD WHICH BEARS NORTH 57'05'16" WEST 1,629.16 FEET TO A POINT OF TANGENCY; 5) NORTH 14°20'11" WEST 282.51 FEET TO A POINT OF CURVATURE; 6) ALONG THE ARC OF A TANGENT CURVE TO THE RIGHT HAVING A RADIUS OF 2000.00 FEET, A CENTRAL ANGLE OF 30°18'21" AND AN ARC LENGTH OF 1,057.87 FEET, SAID ARC BEING SUBTENDED BY A CHORD WHICH BEARS NORTH 00'49'00" EAST 1,045.58 FEET TO A POINT OF TANGENCY; 7) NORTH 15°5810" EAST 135.59 FEET TO THE SOUTHWEST CORNER OF LOT 25 AS SHOWN ON SAID FINAL MAP OF "DELTA SHORES PHASE 1 SUBDIVISION NO. P06-197"; THENCE LEAVING THE CENTERLINE OF SAID DELTA SHORES CIRCLE SOUTH ALONG THE SOUTHWESTERLY LINES OF SAID LOT 25 AND SAID LOT 24 SOUTH 72°48'46" EAST 558.75 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM ALL OF PARCEL 2 AS DESCRIBED IN THAT CERTIFICATE OF COMPLIANCE FOR LOT LINE ADJUSTMENT RECORDED ON JULY 25, 2013 IN BOOK 20130725 OF OFFICIAL RECORDS OF SACRAMENTO COUNTY, AT PAGE 1062.

BEARINGS AND DISTANCES USED IN THE ABOVE DESCRIPTION ARE BASED UPON THE CALIFORNIA COORDINATE SYSTEM OF 1983, EPOCH 1997.30, ZONE 2. DISTANCES ARE IN U.S. SURVEY FEET AND ARE SHOWN IN GROUND LEVEL FEET, MULTIPLY THE DISTANCES SHOWN ABOVE BY 0.99998 TO OBTAIN GRID DISTANCES.

APN: 053-0180-030-0000 (Affects Portion of said land);
APN : 053-0180-031-0000 (Affects Portion of said land); and
APN : 053-0180-032-0000 (Affects Portion of said land)

NOTICE I

Section 12413.1 of the California Insurance Code, effective January 1, 1990, requires that any title insurance company, underwritten title company, or controlled escrow company handling funds in an escrow or sub-escrow capacity, wait a specified number of days after depositing funds, before recording any documents in connection with the transaction or disbursing funds. This statute allows for funds deposited by wire transfer to be disbursed the same day as deposit. In the case of cashier's checks or certified checks, funds may be disbursed the next day after deposit. In order to avoid unnecessary delays of three to seven days, or more, please use wire transfer, cashier's checks, or certified checks whenever possible.

If you have any questions about the effect of this new law, please contact your local First American Office for more details.

NOTICE II

As of January 1, 1991, if the transaction which is the subject of this report will be a sale, you as a party to the transaction, may have certain tax reporting and withholding obligations pursuant to the state law referred to below:

In accordance with Sections 18662 and 18668 of the Revenue and Taxation Code, a buyer may be required to withhold an amount equal to three and one-third percent of the sales price in the case of the disposition of California real property interest by either:

1. A seller who is an individual with a last known street address outside of California or when the disbursement instructions authorize the proceeds be sent to a financial intermediary of the seller, OR
2. A corporate seller which has no permanent place of business in California.

The buyer may become subject to penalty for failure to withhold an amount equal to the greater of 10 percent of the amount required to be withheld or five hundred dollars ($500).

However, notwithstanding any other provision included in the California statutes referenced above, no buyer will be required to withhold any amount or be subject to penalty for failure to withhold if:

1. The sales price of the California real property conveyed does not exceed one hundred thousand dollars ($100,000), OR
2. The seller executes a written certificate, under the penalty of perjury, certifying that the seller is a resident of California, or if a corporation, has a permanent place of business in California, OR
3. The seller, who is an individual, executes a written certificate, under the penalty of perjury, that the California real property being conveyed is the seller's principal residence (as defined in Section 1034 of the Internal Revenue Code).

The seller is subject to penalty for knowingly filing a fraudulent certificate for the purpose of avoiding the withholding requirement.

The California statutes referenced above include provisions which authorize the Franchise Tax Board to grant reduced withholding and waivers from withholding on a case-by-case basis.

The parties to this transaction should seek an attorney's, accountant's, or other tax specialist's opinion concerning the effect of this law on this transaction and should not act on any statements made or omitted by the escrow or closing officer.

The Seller May Request a Waiver by Contacting:
Franchise Tax Board
Withhold at Source Unit
P.O. Box 651
Sacramento, CA 95812-0651
(916) 845-4900

Privacy Policy

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our parent company, The First American Corporation, we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its *Fair Information Values*, a copy of which can be found on our website at www.firstam.com.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies, and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies, or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's *Fair Information Values*. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

CLTA/ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10)
EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
   (a) building; (d) improvements on the Land;
   (b) zoning; (e) land division; and
   (c) land use; (f) environmental protection.
   This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
   (a) that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
   (b) that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
   (c) that result in no loss to You; or
   (d) that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
6. Lack of a right:
   (a) to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
   (b) in streets, alleys, or waterways that touch the Land.
   This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows: For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

Your Deductible Amount	Our Maximum Dollar Limit of Liability
Covered Risk 16: 1% of Policy Amount or $2,500.00 (whichever is less)	$10,000.00
Covered Risk 18: 1% of Policy Amount or $5,000.00 (whichever is less)	$25,000.00
Covered Risk 19: 1% of Policy Amount or $5,000.00 (whichever is less)	$25,000.00
Covered Risk 21: 1% of Policy Amount or $2,500.00 (whichever is less)	$5,000.00

ALTA RESIDENTIAL TITLE INSURANCE POLICY (6-1-87)
EXCLUSIONS

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
   (a) and use
   (b) improvements on the land
   (c) and division
   (d) environmental protection
   This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date.
   This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.
2. The right to take the land by condemning it, unless:
   (a) a notice of exercising the right appears in the public records on the Policy Date
   (b) the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking
3. Title Risks:

(a) that are created, allowed, or agreed to by you
(b) that are known to you, but not to us, on the Policy Date -- unless they appeared in the public records
(c) that result in no loss to you
(d) that first affect your title after the Policy Date -- this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks

4. Failure to pay value for your title.
5. Lack of a right:
   (a) to any land outside the area specifically described and referred to in Item 3 of Schedule A OR
   (b) in streets, alleys, or waterways that touch your land
   This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

2006 ALTA LOAN POLICY (06-17-06)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. a. Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to

   i. the occupancy, use, or enjoyment of the Land;
   ii. the character, dimensions, or location of any improvement erected on the Land;
   iii. the subdivision of land; or
   iv. environmental protection;

   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

   b. Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
   a. created, suffered, assumed, or agreed to by the Insured Claimant;
   b. not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
   c. resulting in no loss or damage to the Insured Claimant;
   d. attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
   e. resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
   a. a fraudulent conveyance or fraudulent transfer, or
   b. a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an

accurate and complete land survey of the Land and not shown by the Public Records.

5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

2006 ALTA OWNER'S POLICY (06-17-06)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. a. Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to

   i. the occupancy, use, or enjoyment of the Land;
   ii. the character, dimensions, or location of any improvement erected on the Land;
   iii. the subdivision of land; or
   iv. environmental protection;
   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

   b.Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
   a. created, suffered, assumed, or agreed to by the Insured Claimant;
   b. not Known to the Company, not recorded in the Public Records at Date of Policy, but known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
   c. resulting in no loss or damage to the Insured Claimant;
   d. attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or
   e. resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
   a. a fraudulent conveyance or fraudulent transfer; or
   b. a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (07-26-10)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. a. Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to

   i. the occupancy, use, or enjoyment of the Land;
   ii. the character, dimensions, or location of any improvement erected on the Land;
   iii. the subdivision of land; or
   iv. environmental protection;

   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.

   b. Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters

   a. created, suffered, assumed, or agreed to by the Insured Claimant;
   b. not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
   c. resulting in no loss or damage to the Insured Claimant;
   d. attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
   e. resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
   a. a fraudulent conveyance or fraudulent transfer, or
   b. a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.

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APPENDIX C

APPRAISAL REVIEW REPORT

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SMITH & ASSOCIATES

A TECHNICAL REVIEW OF
AN APPRAISAL OF

Delta Shores Community Facilities District No. 2019-01
(Improvement Area No. 2)
Cosumnes River Boulevard and Delta Shores Circle South
Sacramento, California 95832

PREPARED FOR

Mr. Bill Sinclair
Real Property Agent
City of Sacramento/Department of Public Works

PREPARED BY

SMITH & ASSOCIATES, INC.
John E. Carrothers, MAI

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Real Estate Appraisal
and Consulting
www.smithassociatesinc.com

SMITH & ASSOCIATES

May 24, 2022

Mr. Bill Sinclair
Real Property Agent
City of Sacramento, Department of Public Works
915 I Street, 2nd Floor
Sacramento, CA 95814

RE: Technical Review of Appraisal of
Delta Shores Community Facilities District No. 2019-01
(Improvement Area No. 2)
Cosumnes River Boulevard and Delta Shores Circle South
Sacramento, CA 95832

As requested, I have completed a "technical review" of the appraisal of the appraisal report for the property referenced above. The appraised property reflects properties in the Delta Shores Community Facilities District No. 2019-01. The values presented were in conjunction with the hypothetical condition that as of the date of value, the bonds have been sold and the property was encumbered by Special Taxes as described in the appraisal report.

The *intended use* of the appraisal review is for the City of Sacramento as an aid in bond financing. The intended user of the appraisal review is the client, the City of Sacramento for the stated intended use only as identified in the appraisal report.

The effective date of the appraisal review coincides with the effective date of value of the appraisal, which is April 1, 2022. The appraisal being reviewed was completed by Arthur A. Leck, MAI and Scott Beebe, MAI with BBG – Northern California. The scope of work is that of a "technical review" and therefore does not include the physical inspection of the property by the review appraiser. The appraisal review has been completed in the context of the market conditions that existed as of the effective date of the opinion of value of the appraisal being reviewed.

Within the context of the above scope of work, the purpose of the appraisal review is to:

- Develop an opinion as to the completeness of the material under review within the context required of that work.
- Develop an opinion as to the apparent adequacy and relevance of the data.
- Develop an opinion as to the appropriateness of the appraisal methods and techniques used.
- Develop an opinion as to whether the analyses, opinions and conclusions are appropriate and reasonable.

Bay Area/Corporate Office
140 Town & Country Drive, Suite F
Danville, CA 94526
Phone 925 855-4950
Fax 925 855-4951

Sacramento/Central Valley Office
111 Woodmere Road, Suite 140
Folsom, CA 95630
Phone 916 357-5860
Fax 916 357-5868

Based on the results of appraisal review, completed in compliance with Standard 3 of the Uniform Standards of Professional Appraisal Practice (USPAP), and the results thereof:

The appraisal report is within the context of USPAP reporting requirements.

The data in the report is considered adequate and relevant.

The propriety of the adjustments is considered adequate and relevant.

The appraisal methods and techniques are considered appropriate.

The analyses, opinions, and conclusions in the report under review are appropriate and reasonable.

In conclusion, as currently presented, the opinion of value presented in the appraisal report is considered credible and adequately supported by available market data and the analysis thereof.

Respectfully submitted,

John E. Carrothers, MAI
State Certified General Real Estate Appraiser
CA License AG014187, Exp. 04/11/2023

REAL ESTATE APPRAISAL REVIEW

Client:	Bill Sinclair City of Sacramento	Borrower:	Not Applicable
Property Type:	CFD	Loan Number:	Not Applicable
Property Location:	Cosumnes River Boulevard and Delta Shores Circle South Sacramento, CA 95832	Intended Use of the Appraisal:	Bond Financing
Interest Appraised:	Fee Simple Estate		
Appraisal Report Format:	Appraisal Report		
Appraisal Scope:	Narrative	Review Scope:	Technical Review
Appraisal Report Date:	April 1, 2022	Review Report Date:	Same
Appraiser:	Art Leck, MAI State Certification #AG011823 Scott Beebe, MAI State Certification #AG015266	Review Appraiser:	John E. Carrothers, MAI State Certification #AG014187

Market Value Determination(s):	Valuation Date	Appraiser's Value
Value in the appraisal report were reported by ownership as of April 1, 2022. Conclusions noted on the following page.		

CONCLUSION - HYPOTHETICAL FEE SIMPLE MARKET VALUE			
Ownership	Area	*Date of Value*	Concluded Value
MHRP/Signature Homes JV I LLC	MDR-5	April 1, 2022	$9,300,000
M & H Realty Partners VI LP	Remainder of Property	April 1, 2022	$25,700,000
Aggregate Value			$35,000,000

Our estimate of value is subject to the following Extraordinary Assumptions and/or Hypothetical Conditions:

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions: The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. We relied on certain land development costs (identified as On-Site Internal Backbone Improvements in this report) and fees provided by the Master Developer and the Finance Plan. The budgeted costs for the On-Site Internal Backbone Improvements and fees appear reasonable relative to costs at other projects in the area. It is an extraordinary assumption that the said costs and fees are reasonably true and correct. Any substantial changes in costs and fees could have an effect on the value conclusions and the feasibility of development. We assume that competent and professional engineering has been completed and that the cost estimates were prepared by a qualified, professional service.

Hypothetical Conditions: The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. As of the date of value, the CFD Bonds had not been sold. The market value estimated herein is based on the hypothetical condition that, as of the date of inspection, the Bonds had just been sold and the property was encumbered by Special Taxes, as described herein. The value accounts for the impact of the lien of the Special Tax securing the Bonds.

SIGNIFICANT FACTORS INFLUENCING THE VALUATION

The appraisal has been completed subject to the extraordinary assumption identified on the previous page. General Assumptions and Limiting Conditions as identified in the addendum of this report are appropriate.

REVIEW COMMENTS

General Description: The property appraised reflects properties within the Delta Shores Community Facilities District No. 2019-01 (Improvement Area 2). This property consisted of 145.88 gross acres of which 90.76 acres is planned for development with 421 single family lots and 1,152 multi-family lots/units. The remaining 55.12 acres consist of roads, two park sites and a school site. Substantial off-site improvements have been completed including all of the subject property's perimeter roads as well as much of roads as well as much of the utility, drainage, and highway interchange infrastructure. All major entitlements for development of the property are in place. The Final Master Parcel Map of Delta Shores Phase 2 was recorded in November 2021. Of the four medium density villages, two (MDR-5 and MDR-8A/B) have approved (small lot) tentative maps in place and the final maps for MDR-5 has been recorded and the final map for MDR-8A is expected to be recorded in late May 2022. The MDR-8B final map is expected to be recorded in late 2022. Small lot tentative maps are currently in process for MDR-6 and MDR-7 and the developer anticipates tentative map approval in mid-2022 and final maps in late 2022.

Improvement Area No. 2 is one of three improvement areas within the Delta Shores CFD and is located east of Interstate 5 and south of Cosumnes River Boulevard. The developer has completed significant portions of the authorized CFD facilities and anticipates that the medium density residential villages (MDR-5 thru 8) will be sold to a merchant builder in phases between January and October 2022. It excludes properties within the CFD not subject to Special Tax.

Opinion of the Completeness of Material Under Review: The appraisal appears to adequately address the relevant factors regarding the property being appraised, including the date of valuation, date of the report, purpose of the appraisal, property rights appraised, intended use and intended user, scope of work, property identification, ownership history, area analysis, property description, zoning, highest and best use, approach to valuation, sales comparison approach, income approach (static and dcf analysis) and related comparable sale data. Appropriate analysis was performed for this property to conform with USPAP and the California Debt and Investment Advisory Commission (CDIAC).

Of note, the appraiser reported values according to each ownership. Values were reported as an aggregate value. This is adequate methodology as it applies to CDIAC, more specifically the section as it pertains to value allocations on page 21. This is identified as follows.

Interpretation and Correlation of Estimates

> *"The appraiser's estimate of value should be explained and supported by relevant information". (Appraisal Standards for Land-Secured Financings, May 1994, Revised July 2004, Page 21).*

Appraisers should reconcile their estimates of value and state their reasons why the conclusions reached under the chosen valuation method(s) are indicative of the market value of the property.

Value Allocations

> *"To the extent that the development plan is composed of subunits of phases owned by different parties, the appraiser should seek to determine value of each subunit or phase independently. The to extend that the project is composed of different subunits or phases owned by a single party, the appraiser should not allocate these different subunits or phases separately, but value the project as a single property. In rare cases and for financial disclosure reasons, it may be appropriate to allocated value to different subunits of the project. The appraiser must assume a single owner and be able to separate costs associated with completing each component prior to doing so." (Appraisal Standards for Land-Secured Financings, May 1994, Revised July 2004, Page 21.*

Accordingly, to the extent that the development plan is composed of subunits or phases owned by different parties, the appraiser should seek to determine the value of each subunit or phase independently.

In the appraisal report, the property was adequately described to reflect the various ownerships. The various values reported were correct in that they were provided for each ownership and the document conforms to both USPAP and CDIAC guidelines.

Reasons for Any Disagreement with Regard
to the Completeness of the Material Under Review:

No disagreement.

Opinion as to the Apparent Adequacy and Relevance
of the Data and the Propriety of any Adjustments to the Data:

The overall data selection and analysis to be of the nature adequate to provide credible indication of value.

Opinion as to the Appropriateness of the
Appraisal Methods and Techniques Used:

None.

Reasons for Any Disagreement of the
Appraisal Methods and Techniques Used:

No disagreement.

Opinion as to Whether the Analyses, Opinions and Conclusions Are Appropriate and Reasonable:

The analyses, opinions and conclusions appear to be reasonably researched in order to lead the reader to logical and credible value conclusions.

Reasons for any Disagreement as to the Analyses, Opinions and Conclusions:

No disagreement.

USPAP TECHNICAL REVIEW

STANDARD 1

DID THE APPRAISER:

	N/A	Yes	No	USPAP
1. Be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal.		X		1-1(a)
2. Commit a substantial error of omission or commission that significantly affects the appraisal?			X	1-1(b)
3. Render appraisal services in a careless or negligent manner, such as making a series of errors that, considered individually, may not significantly affect the results of an appraisal, but which, when considered in the aggregate, are misleading?			X	1-1(c)
4. Identify the client & other intended users?		X		1-2(a)
5. Identify the intended use of the appraiser's opinions & conclusions?		X		1-2(b)
6. Identify the type & definition of value? If market value, and ascertain whether the value is to be the most probable price?		X		1-2(c)
7. Identify the effective date of the appraiser's conclusions?		X		1-2(d)
8. Identify the characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal?		X		1-2(e)
9. Identify any extraordinary assumptions?		X		1-2(f)
10. Identify any hypothetical conditions?		X		1-2(g)
11. Determine the scope of work necessary to produce credible assignment results in accordance with the Scope of Work Rule?		X		1-2(h)

	N/A	Yes	No	USPAP
12. Identify & analyze the effect of existing land use regulations, reasonably probable modifications of such regulations, economic demand, the physical adaptability of the real estate & market trends?		X		1-3(a)
13. Develop an opinion of highest & best use?		X		1-3(b)
14. Analyze comparable sales data if a Sales Comparison Approach was used?		X		1-4(a)
15. Develop a site value as vacant by an appropriate appraisal technique, analyze comparable cost new data, & analyze accrued depreciation data if a Cost Approach was used?	X			1-4(b)

DID THE APPRAISER:

	N/A	Yes	No	USPAP
16. Analyze comparable rental data to estimate the market rent of the property; comparable operating expense data to estimate the operating expenses of the property; comparable data to estimate cap/discount rates if an Income Approach was used? Were the base projections of future rent & expenses supported by reasonably clear & appropriate evidence?		X		1-4(c)
17. Analyze the terms & conditions of the lease(s) to determine the effect on value if a leased fee or leasehold estate value was developed?	X			1-4(d)
18. Analyze the effect on value of the assemblage of the various estates or component parts of a property? Refrain from valuing the whole solely by adding together the individual values of the various estates or component parts?	X			1-4(e)
19. Analyze the effect on value of anticipated public or private improvements, located on or off site, to the extent that market actions reflect such improvements?		X		1-4(f)
20. Analyze the effect on value of any personal property, trade fixtures, or intangible items that aren't real property but are included in the appraisal?	X			1-4(g)
21. Analyze any current agreement of sale, option, or listing of the property?		X		1-5(a)
22. Analyze any prior sales of the property that occurred within the past 3 years?		X		1-5(b)
23. Reconcile: the quality & quantity of data available within the approaches; the applicability or suitability of the approaches used?		X		1-6(c)

STANDARD 2

DOES THE APPRAISAL REPORT:

	N/A	Yes	No	USPAP
24. Clearly and accurately set forth the appraisal in a manner that will not be misleading?		X		2-1(a)
25. Contain sufficient information to enable intended users to understand it properly?		X		2-1(b)
26. Clearly and accurately disclose any extraordinary assumption or limiting condition and indicate its impact on value?		X		2-1(c)
27. Comply with the minimum reporting Standards Rules for An Appraisal report?		X		2-2(a)
28. Comply with the minimum reporting Standards Rules for a Restricted Appraisal Report?	X			2-2(b)
29. Include a signed certification in accordance with S.R. 2-3?		X		2-3

COMMENTS: Standards have been met.

STANDARD 3

REVIEW CLIENT/INTENDED USER: Bill Sinclair – City of Sacramento. Additional intended users include Piper Sandler, as underwriter, as well as prospective bond investors.

REVIEW INTENDED USE: In connection with bond financing collateralized by the property named above.

REVIEW PURPOSE: To assess the appropriateness and reasonableness of the methodology, techniques, analyses, opinions, and conclusions utilized in the appraisal and to determine the appraisal report's compliance with USPAP.

REVIEW WORK SCOPE: I have performed a desk review of an appraisal report prepared by BBG – Northern California. The review appraiser clearly notes that the Intended User of this appraisal is the City of Sacramento. The real property interest appraised, the date of this review and additional information required in S.R. 3-1(b)/3-2(b) is noted in above text of this appraisal review report. I have not inspected the subject property. I have not inspected the comparable properties. I have not verified subject property information. I have not verified comparable property information.

Any differences of opinion with the original appraiser's work, together with the reasoning, are noted in preceding portions of the accompanying review report.

The reviewer stipulates that the scope above and the analysis below are performed to the extent appropriate for a desk review.

REVIEW ANALYSIS:

The appraisal report is considered to be complete within the context of USPAP reporting requirements.

The data in the appraisal report are considered adequate and relevant.

The propriety of the adjustments is considered adequate and relevant.

The appraisal methods and techniques are considered appropriate.

The analyses, opinions, and conclusions in the report under review are appropriate and reasonable.

In conclusion, as currently presented, the estimate of value opined to in the appraisal report **is** considered credible and adequately supported by available market data and the analysis thereof. It is in compliance with both USPAP and CDIAC guidelines.

John E. Carrothers, MAI
State Certified General Real Estate Appraiser
CA License AG014187, Exp. 04/11/2023

CERTIFICATION

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

1. The facts and data reported by the reviewer and used in the review process are true and correct.
2. The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.
4. I have performed no services as an appraiser or in any other capacity regarding the property that is the subject of the work under review with the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
8. My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favor the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
9. My analyses, opinion, and conclusions were developed, and this review report was prepared in conformity with the *Uniform Standards of Professional Appraisal Practice.*
10. I have not made a personal inspection of the subject property of the work under review.
11. No one provided significant appraisal, appraisal review, or consulting assistance to the person signing this certification.
12. My educational background, appraisal experience and knowledge are sufficient to review the type of property. As of the date of this report, I have completed the Standards and Ethics Education requirement of the Appraisal Institute for Designated Members.
13. As of the date of this report, have completed the continuing education program for Designated Members of the Appraisal Institute.

John E. Carrothers, MAI
State Certified General Real Estate Appraiser
CA License AG014187, Exp. 04/11/2023

John E. Carrothers, MAI

Certified General Real Estate Appraiser
California BREA Appraiser License No. AG014187

SUMMARY

Over twenty-five years of appraisal experience in Sacramento, Placer, Solano, Sutter, Yolo, Stanislaus, Contra Costa and Alameda Counties. Extensive experience focusing on the analysis of residential subdivisions over the past twenty years.

Property types valued and analyzed include the following:

- Single and Multi-Family Residential
- Vacant Land – Improved and Unimproved
- Commercial – Retail and Industrial
- Subdivision – Feasibility and Valuation

WORK HISTORY

1998 – Present	Managing Partner	Smith & Associates, Inc.
1991 – 1998	Staff Appraiser	Smith Denton Associates, Inc.
1990 – 1991	Staff Appraiser	Professional Appraisal Services, Inc.

EDUCATION

University of California, Davis, CA
Bachelor of Science

Appraisal Institute Courses
Real Estate Appraisal Principles • Valuation Procedures • Capitalization Theory and Techniques, A • Capitalization Theory and Techniques, B • Farm Valuation Seminar • Standards of Professional Practice, A and B • Real Estate Principles • Subdivision Analysis • Assessment Bond Mello Roos Seminar • Report Writing • Advanced Sale Comparison and Cost Approach • National USPAP Equivalent Course

PROFESSIONAL AFFILIATIONS

- Appraisal Institute, MAI

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

John E. Carrothers

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 014187

Effective Date: April 12, 2021
Date Expires: April 11, 2023

Loretta Dillon

Loretta Dillon, Deputy Bureau Chief, BREA

3056294

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

June 21, 2022

City Council
City of Sacramento
Sacramento, California

City of Sacramento
Delta Shores Community Facilities District No. 2019-01
(Improvements) Improvement Area No. 2 Special Tax Bonds, Series 2022
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Sacramento (the "City") in connection with issuance of $10,230,000 aggregate principal amount of City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds, Series 2022 (the "Bonds"). The Bonds are being issued pursuant to a Master Indenture, dated as of June 1, 2022 (the "Master Indenture"), as supplemented by a First Supplemental Indenture, dated as of June 1, 2022 (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), each between the City and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; the Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the City; opinions of counsel to the City and the Trustee; certificates of the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the City in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. We express no opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the rate and method of apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion or conclusion with respect thereto.

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

1. The Bonds constitute the valid and binding special tax obligations of the City, payable solely from the Net Special Tax Revenues and certain funds held under the Indenture.

2. The Master Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City.

3. The First Supplemental Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX E

GENERAL INFORMATION ABOUT THE CITY OF SACRAMENTO AND THE COUNTY OF SACRAMENTO

The following information is included only for the purpose of supplying general information regarding the City of Sacramento (the "City") and the County of Sacramento (the "County"). This information is provided only for general informational purposes and provides prospective investors limited information about the City and the County and their economic base. The Bonds are not a debt of the County or the State or any of its political subdivisions, and the County, and the State and its political subdivisions are not liable therefor. The Bonds are special limited obligations of the City payable solely from the Net Special Tax Revenues (as defined in the Official Statement) and other amounts as set forth in the Indenture.

General

The City is located at the confluence of the Sacramento and American Rivers in the south-central portion of the Sacramento Valley, a part of the State's Central Valley. Although the City is approximately 75 air miles northeast of San Francisco, its temperature range is more extreme than that of most Northern California coastal cities, ranging from a daily average of 45 degrees Fahrenheit in January to 85 degrees Fahrenheit in July. Average elevation of the City is 30 feet above sea level.

Population

The following table lists population figures for the City, the County and the State as of January 1 for 2017 through 2021.

CITY AND COUNTY OF SACRAMENTO
Population Estimates

Calendar Year	*City of Sacramento*	*County of Sacramento*	*State of California*
2017	494,785	1,511,390	39,352,398
2018	500,872	1,525,099	39,519,535
2019	507,490	1,538,054	39,605,361
2020	513,626	1,553,157	39,648,938
2021	515,673	1,561,014	39,466,855

Source: State Department of Finance estimates (as of January 1).

Industry and Employment

The unemployment rate in the Sacramento—Arden-Arcade—Roseville, CA Metropolitan Statistical Area ("Sacramento MSA"), which includes Sacramento, Placer, El Dorado, and Yolo Counties, was 6.4% in 2021. The table below provides information about employment rates and employment by industry type for the Sacramento MSA for calendar years 2017 through 2021. As of March 2022, the unemployment rate in the Sacramento MSA was 3.7%.

SACRAMENTO MSA
Civilian Labor Force, Employment and Unemployment
Calendar Years 2017 through 2021
Annual Averages

	2017	***2018***	***2019***	***2020***	***2021***
Civilian Labor Force (1)	1,074,000	1,088,300	1,100,800	1,091,700	1,099,300
Employment	1,024,800	1,046,900	1,060,300	994,000	1,028,800
Unemployment	49,200	41,500	40,500	97,700	70,500
Unemployment Rate	4.6%	3.8%	3.7%	9.0%	6.4%
Wage and Salary Employment (2)					
Agriculture	9,800	9,100	8,700	8,300	9,000
Natural Resources and Mining	400	500	500	600	700
Construction	58,700	64,500	69,400	70,200	74,100
Manufacturing	35,700	36,000	36,800	36,100	37,500
Wholesale Trade	26,500	28,400	28,600	26,500	26,400
Retail Trade	101,400	102,000	100,500	95,200	101,100
Transportation, Warehousing and Utilities	27,400	29,500	32,200	34,300	37,100
Information	12,600	12,400	11,900	10,200	10,000
Finance and Insurance	37,400	36,700	35,200	34,800	34,300
Real Estate and Rental and Leasing	15,200	16,800	17,300	16,900	17,400
Professional and Business Services	132,400	136,000	137,400	132,500	136,700
Educational and Health Services	153,600	159,800	166,600	164,000	168,400
Leisure and Hospitality	103,300	106,200	109,600	83,900	92,900
Other Services	33,000	34,200	35,400	31,000	32,600
Federal Government	14,200	14,100	14,200	14,800	14,500
State Government	118,400	120,400	121,900	121,700	126,800
Local Government	102,600	103,500	105,300	98,900	98,000
Total, All Industries	982,500	1,009,900	1,031,400	979,700	1,017,200

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
Source: State of California Employment Development Department.

Major Employers

The following table shows the largest employers located in the County as of fiscal year 2021.

COUNTY OF SACRAMENTO
PRINCIPAL EMPLOYERS
As of June 30, 2021

Rank	*Name of Company*	*Number of Employees*	*Percentage of Total City Employment*
1.	UC Davis Health System	14,618	2.18%
2.	Kaiser Permanente	12,078	1.80
3.	Dignity/Mercy Healthcare	10,888	1.63
4.	Sutter/California Health Services	10,764	1.61
5.	Intel Corporation	5,992	0.90
6.	Raley's Inc./Bel Air	3,394	0.51
7.	VPS Global	2,834	0.42
8.	Sacramento Municipal Utility	2,099	0.31
9.	Siemens Mobility Inc.	2,000	0.30
10.	Safeway	1,823	0.27

Source: County of Sacramento Annual Comprehensive Financial Report for the year ending June 30, 2021.

The following table shows the largest employers located in the City as of fiscal year 2021.

CITY OF SACRAMENTO
PRINCIPAL EMPLOYERS
As of June 30, 2021

Rank	*Name of Company*	*Number of Employees*	*Percentage of Total City Employment*
1.	State of California	82,076	12.39%
2.	UC Davis Health System	14,618	2.21
3.	Sacramento County	12,585	1.90
4.	Kaiser Permanente	12,078	1.82
5.	U.S. Government	11,752	1.77
6.	Dignity Health	10,888	1.64
7.	Sutter Health	10,764	1.63
8.	Intel Corporation	5,992	0.90
9.	California State University, Sacramento	5,283	0.80
10.	San Juan Unified School District	4,962	0.75
11.	City of Sacramento	4,883	0.74%

Source: City of Sacramento Annual Comprehensive Financial Report for the year ending June 30, 2021.

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

The following table summarizes the personal income for the County of Sacramento, the State and the United States for the period 2016 through 2020.

COUNTY OF SACRAMENTO
Personal Income
2016 through 2020

Year	*Sacramento County*	*California*	*United States*
2016	$72,128,370	$2,218,457,774	$16,092,713,000
2017	75,062,017	2,318,644,417	16,845,028,000
2018	78,804,776	2,431,821,953	17,681,159,000
2019	82,669,864	2,544,234,978	18,402,004,000
2020	90,908,707	2,763,311,977	19,607,447,000

Note: Dollars in Thousands.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following table summarizes per capita personal income for the County of Sacramento, the State and the United States for 2016-2020. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME
County of Sacramento, State of California and the United States
2016 Through 2020

Year	*Sacramento County*	*California*	*United States*
2016	$47,723	$56,667	$49,812
2017	49,125	58,942	51,811
2018	51,187	61,663	54,098
2019	53,278	64,513	56,047
2020	58,307	70,192	59,510

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Commercial Activity

A summary of historic taxable sales within the City for 2017-2021 is shown in the following table.

CITY OF SACRAMENTO
Taxable Transactions
(dollars in thousands)

	Retail Stores		*Total All Outlets*	
	Number of Permits	***Taxable Transactions***	***Number of Permits***	***Taxable Transactions***
2017	9,422	$4,679,961	14,258	$6,792,197
2018	9,839	4,904,555	15,421	7,157,368
2019	10,006	4,999,470	15,970	7,463,634
2020	11,088	4,430,901	17,722	6,839,199
2021	10,362	5,401,724	16,793	8,118,898

Source: State Board of Equalization.

A summary of historic taxable sales within the County for 2017-2021 is shown in the following table.

COUNTY OF SACRAMENTO
Taxable Transactions
(dollars in thousands)

	Retail Stores		*Total All Outlets*	
	Number of Permits	***Taxable Transactions***	***Number of Permits***	***Taxable Transactions***
2017	24,501	$16,934,872	37,317	$24,610,617
2018	24,853	17,593,375	39,066	25,443,669
2019	25,530	18,195,302	40,858	26,836,365
2020	28,055	18,488,106	45,361	27,173,406
2021	25,936	23,700,364	42,482	33,783,460

Source: State Board of Equalization.

Building and Construction

Provided below are the building permits and valuations for the City and the County for calendar years 2016 through 2020.

CITY OF SACRAMENTO
Total Building Permit Valuations
(valuations in thousands)

	2016	*2017*	*2018*	*2019*	*2020*
Permit Valuation					
New Single-family	$ 288,236.6	$ 432,659.8	$ 406,973.1	$ 400,648.4	$ 254,127.0
New Multi-family	181,997.4	158,324.1	106,149.2	176,862.7	465,623.0
Res. Alterations/Additions	99,166.2	113,843.3	97,761.1	140,240.6	174,415.1
Total Residential	$ 569,400.2	$ 704,827.2	$ 610,883.4	$ 717,751.7	$ 894,165.1
New Commercial	$ 125,112.7	$ 143,368.7	$ 133,602.0	$ 540,144.9	$ 154,484.2
New Industrial	150.0	0.0	2,489.1	31,485.4	31,155.0
New Other	34,081.1	76,890.9	71,153.7	427,661.2	302,114.6
Com. Alterations/Additions	238,524.2	120,410.0	242,928.6	491,148.7	230,448.0
Total Nonresidential	$ 397,868.0	$ 340,669.6	$ 450,173.4	$1,490,440.2	$ 718,201.8
New Dwelling Units					
Single-Family	995	1,723	1,608	1,552	956
Multiple Family	601	1,076	813	1,487	2,855
TOTAL	1,596	2,799	2,421	3,039	3,811

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF SACRAMENTO
Total Building Permit Valuations
(valuations in thousands)

	2016	*2017*	*2018*	*2019*	*2020*
Permit Valuation					
New Single-family	$ 611,073.6	$ 744,006.3	$ 1,069,568.3	$1,108,399.8	$ 1,088,390.6
New Multi-family	83,282.9	242,222.8	158,638.0	265,188.8	467,418.7
Res. Alterations/Additions	255,821.8	214,028.1	276,723.5	293,210.5	262,864.6
Total Residential	$ 950,178.3	$1,200,257.2	$ 1,504,929.8	$1,666,799.1	$ 1,818,673.9
New Commercial	$ 482,772.0	$ 270,736.7	$ 292,766.9	$ 639,170.3	$ 411,058.0
New Industrial	150.0	3,026.0	14,151.1	31,851.4	31,155.0
New Other	418,862.1	265,276.7	137,414.6	131,286.6	113,793.0
Com. Alterations/Additions	85,354.4	140,367.2	518,663.2	700,603.9	335,458.0
Total Nonresidential	$ 987,138.5	$ 679,406.6	$ 962,995.8	$1,502,912.2	$ 891,464.0
New Dwelling Units					
Single-Family	2,676	3,174	3,589	3,981	3,588
Multiple Family	609	1,761	1,272	2,008	2,868
TOTAL	3,285	4,935	4,861	5,989	6,456

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

Sacramento's strategic location and broad transportation network have contributed to the City's economic growth. The City is traversed by the main east-west and north-south freeways serving northern and central California. Interstate 80 connects Sacramento with the San Francisco Bay Area, Reno, Nevada, and points east. U.S. 50 carries traffic from Sacramento to the Lake Tahoe area. Interstate 5 is the main north-south route through the interior of California, running from Mexico to Canada. State Route 99 parallels Interstate 5 through central California and passes through Sacramento.

The Union Pacific Railroad, a transcontinental line, has junctions in Sacramento and is connected to the Burlington Northern Santa Fe Railway via the Central California Traction Company. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound and the Sacramento Regional Transit District. The Sacramento Regional Transit District also provides light-rail service within the City. The Port of Sacramento, located 79 nautical miles northeast of San Francisco, provides direct ocean-freight service to all major United States and world ports. Via a deep-water channel, ships can reach Sacramento from San Francisco in less than eight hours. The major rail links serving Sacramento connect with the port, and Interstate 80 and Interstate 5 are immediately adjacent to it.

Trucking services are offered through facilities of interstate common carriers operating terminals in the area and by contract carriers of general commodities. Greyhound Bus Lines also has passenger and package-service stations in the City.

Sacramento International Airport, about 12 miles northwest of the City's downtown, is served by 13 major carriers and 1 commuter carrier. Sacramento Executive Airport, about 6 miles south of the City's downtown, is a full-service, 540-acre facility serving general aviation and providing a wide array of facilities and services.

APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Definitions

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

"Accountant's Report" means a report signed by an Independent Certified Public Accountant.

"Acquisition and Construction Fund" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Acquisition and Construction Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Act" means collectively the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 et seq. of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto.

"Bond Redemption Fund" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Bond Redemption Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

"Bond Reserve Fund" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Bond Reserve Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

"Bond Year" means the twelve-month period ending on September 1 of each year; provided, that the first Bond Year shall commence on the date of the execution, authentication and initial delivery of the first Series issued under the Master Indenture.

"Bonds" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds at any time Outstanding under the Master Indenture that are executed, authenticated and delivered in accordance with the provisions of the Master Indenture. "Serial Bonds" means Bonds for which no Sinking Fund Account Payments are established. "Term Bonds" means Bonds which are redeemable or payable on or before their specified maturity date or dates from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity date or dates.

"Business Day" means any day (other than a Saturday or a Sunday) on which the Trustee is open for business at its Principal Corporate Trust Office.

"City" means the City of Sacramento, a California municipal corporation.

"City Council" means the City Council of the City.

“Code” means the Internal Revenue Code of 1986 and all regulations of the United States Department of the Treasury issued thereunder from time to time to the extent that such regulations are, at the time, applicable and in effect, and in this regard reference to any particular section of the Code shall include reference to any successor to such section of the Code.

“Community Facilities District” means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California, a community facilities district duly organized and existing in the City under and by virtue of the Act.

“Community Facilities Fund” means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Community Facilities Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

“Costs of Issuance Fund” means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Costs of Issuance Fund established pursuant to the Master Indenture (to be maintained by the Trustee).

“Debt Service” means, for any Bond Year, the sum of (1) the interest payable during such Bond Year on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid as scheduled at the times of and in amounts equal to the sum of all Sinking Fund Account Payments (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), plus (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, plus (3) the Sinking Fund Account Payments required to be deposited in the Sinking Fund Account in such Bond Year.

“Event of Default” means an event described as such in the Master Indenture.

“Expense Fund” means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Expense Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

“Expenses” means all expenses paid or incurred by the City for the cost of planning and designing the Facilities, including the cost of environmental evaluations, and all costs associated with the determination of the amount of the Special Tax, the collection of the Special Tax and the payment of the Special Tax, together with all costs otherwise incurred in order to carry out the authorized purposes of the Community Facilities District, and any other expenses incidental to the acquisition, construction, completion and inspection of the Facilities; all as determined in accordance with Generally Accepted Accounting Principles.

“Facilities” means the public facilities authorized to be acquired and constructed in and for the Community Facilities District under and pursuant to the Act at the special elections held in the Improvement Area on October 15, 2019 and January 25, 2022.

“Federal Securities” means (a) any securities now or hereafter authorized both the interest on and principal of which are guaranteed by the full faith and credit of the United States of America, and (b) any of the following obligations of federal agencies not guaranteed by the full faith and credit of the United States of America: (1) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (2) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act and bonds of any federal home loan bank established under such act, and (3) stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation, to the extent that such securities or obligations are eligible for the legal investment of City funds, together with any repurchase agreements which are secured by any of such securities or obligations that (1) have a fair market value (determined at least daily) at least equal to one hundred two percent (102%) of the amount invested in the repurchase agreement, (2) are in the possession of the Trustee or a third party acting solely as custodian for the Trustee who holds a perfected first lien therein, and (3) are free from all third party claims.

"First Supplemental Indenture" means the First Supplemental Indenture, dated as of June 1, 2022, between the City and the Trustee supplemental to the Master Indenture.

"Fiscal Year" means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the City as its Fiscal Year in accordance with applicable law.

"Fitch" means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

"Holder" means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books maintained by the Trustee pursuant to the Master Indenture.

"Improvement Area" means Improvement Area No. 2 of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California, a portion of the Community Facilities District designated as such improvement area pursuant to the Act.

"Independent Certified Public Accountant" means any nationally recognized certified public accountant or firm of such accountants, appointed and paid by the City, and who, or each of whom --

(1) is in fact independent and not under the domination of the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and

(3) is not connected with the City as an officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

"MAI" means the designation assigned by the Appraisal Institute of professionals who adhere to ethical professional practice, continuing education, and best practices and industry trends with respect to real property valuation.

"Master Indenture" means the Master Indenture, dated as of June 1, 2022, between the City and the Trustee, entered into under and pursuant to the Act and as may be amended and supplemented pursuant to its terms.

"Maximum Annual Debt Service" means, as of any date of calculation, the largest Debt Service in any Bond Year during the period from the date of such calculation through the final maturity date of all Outstanding Bonds.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Net Special Tax Revenues" means the proceeds of the Special Tax, less the Priority Administrative Expenses.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Master Indenture) all Bonds except --

(1) Bonds cancelled and destroyed by the Trustee or delivered to the Trustee for cancellation and destruction;

(2) Bonds paid or deemed to have been paid within the meaning of the Master Indenture; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the City and authenticated and delivered by the Trustee pursuant to the Master Indenture.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee in San Francisco, California, at which at any particular time its corporate trust business is being administered, except that with respect to presentation of Bonds for registration, payment, redemption, transfer or exchange, such term shall mean the corporate trust operations office of the Trustee in St. Paul, Minnesota, or such other office designated by the Trustee from time to time as its Principal Corporate Trust Office.

"Priority Administrative Expenses" means (i) for the Fiscal Year 2021-22, $20,000, and (ii) for each subsequent Fiscal Year, an amount equal to the Priority Administrative Expenses for the preceding Fiscal Year plus 3% of such amount.

"Rebate Fund" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Rebate Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Required Bond Reserve" means:

(1) prior to the first to occur of the delivery by the City of a Series 2022 Escrow Fund Release Certificate to the Trustee and the Series 2022 Escrow Bonds Mandatory Redemption Date, as of any date of calculation, the least of (a) ten percent (10%) of the principal amount of the Outstanding Bonds other than the Series 2022 Escrow Bonds, or (b) Maximum Annual Debt Service with respect to the Outstanding Bonds other than the Series 2022 Escrow Bonds, or (c) one hundred twenty-five percent (125%) of the average Debt Service payable with respect to the Outstanding Bonds other than the Series 2022 Escrow Bonds in the current and in all future Bond Years, all as determined by the City under the Code and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have at least one rating at the time of issuance of such policy or surety bond or letter of credit equal to "A" or higher assigned by Fitch or "A" or higher assigned by Moody's or "A" or higher assigned by Standard & Poor's, in each case without regard to any numerical modifier or plus or minus sign; and provided further, that the amount of the Required Bond Reserve shall not increase at any time except upon the delivery by the City of a Series 2022 Escrow Fund Release Certificate to the Trustee as provided in clause (2) below or the issuance of a new Series of Bonds; and provided further, that, with respect to the issuance of any issue of Bonds, if the

amount on deposit in the Bond Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of such issue of Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such issue of Bonds) then the Required Bond Reserve shall be such lesser amount as is determined by a deposit of such 10%; and

(2) on and after the first to occur of the delivery by the City of a Series 2022 Escrow Fund Release Certificate to the Trustee and the Series 2022 Escrow Bonds Mandatory Redemption Date, as of any date of calculation, the least of (a) ten percent (10%) of the principal amount of the Outstanding Bonds, or (b) Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the average Debt Service payable under the Master Indenture in the current and in all future Bond Years, all as determined by the City under the Code and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be satisfied by the provision of one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have at least one rating at the time of issuance of such policy or surety bond or letter of credit equal to "A" or higher assigned by Fitch or "A" or higher assigned by Moody's or "A" or higher assigned by Standard & Poor's, in each case without regard to any numerical modifier or plus or minus sign; and provided further, that the amount of the Required Bond Reserve shall not increase at any time except upon the delivery by the City of a Series 2022 Escrow Fund Release Certificate to the Trustee or the issuance of a new Series of Bonds; and provided further, that, with respect to the issuance of any issue of Bonds, if the amount on deposit in the Bond Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of such issue of Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such issue of Bonds) then the Required Bond Reserve shall be such lesser amount as is determined by a deposit of such 10%.

"Series" means any series of the Bonds authorized, executed and authenticated pursuant to the Master Indenture and pursuant to one or more Supplemental Indentures as constituting a single series and delivered on initial issuance in a simultaneous transaction pursuant to the Master Indenture, and any Bonds thereafter executed, authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Master Indenture.

"Series 2022 Bonds" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds, Series 2022.

"Series 2022 Escrow Bonds" means the "Escrow Bonds" as defined in this Official Statement.

"Series 2022 Escrow Bonds Mandatory Redemption Date" means September 1, 2024.

"Series 2022 Escrow Fund" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds, Series 2022 Escrow Fund established pursuant to the First Supplemental Indenture (to be maintained by the Trustee).

"Series 2022 Escrow Fund Release Certificate" means the "Escrow Fund Release Certificate" as defined in this Official Statement.

"Sinking Fund Account" means the account in the Bond Redemption Fund referred to by that name established pursuant to the Master Indenture.

"Sinking Fund Account Payments" means the payments required by all Supplemental Indentures to be deposited in the Sinking Fund Account for the payment of the Term Bonds.

"Special Tax" means the special tax authorized to be levied and collected annually on all Taxable Land in the Improvement Area under and pursuant to the Act at the special election held in the Improvement Area on January 25, 2022.

"Special Tax Formula" means the Amended and Restated Rate and Method of Apportionment of Special Tax approved at the election held in the Improvement Area on January 25, 2022.

"Special Tax Fund" means the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Special Tax Fund established pursuant to the Master Indenture (to be maintained by the Treasurer).

"Standard & Poor's" means Standard & Poor's Rating Services, a division of The McGraw Hill-Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Supplemental Indenture" means any indenture then in full force and effect that has been made and entered into by the City and the Trustee, amendatory of or supplemental to the Master Indenture; but only to the extent that such Supplemental Indenture is specifically authorized under the Master Indenture.

"Tax Certificate" means any certificate delivered upon the original issuance of a Series relating to Section 148 of the Code, or any functionally similar replacement certificate.

"Taxable Land" means all land within the Improvement Area taxable under the Act in accordance with the proceedings for the authorization of the issuance of the Bonds and the levy and collection of the Special Tax.

"Treasurer" means the City Treasurer of the City.

"Trustee" means U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character set forth in the Master Indenture, at its Principal Corporate Trust Office, 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 Master Indenture.

Conditions for the Issuance of Bonds

The City may at any time issue a Series payable from the Net Special Tax Revenues as provided in the Master Indenture on parity with all other Series theretofore issued under the Master Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of any such Series other than the Series 2022 Bonds:

(a) The issuance of such Series shall have been authorized pursuant to the Act and pursuant to the Master Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

(1) The purpose for which such Series is to be issued;

(2) The principal amount and designation of such Series and the denomination or denominations of the Bonds of such Series;

(3) The date, the maturity date or dates, the interest payment dates and the dates on which Sinking Fund Account Payments are due, if any, for such Series; provided, that (i) the Serial Bonds of such Series shall be payable as to principal on September 1 of each year in which principal of such Series falls due, and the Term Bonds of such Series shall be subject to mandatory redemption on September 1 of each year in which Sinking Fund Account Payments for such Series are due; (ii)

the Bonds of such Series shall be payable as to interest semiannually on March 1 and September 1 of each year, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than twelve (12) months and the interest shall be payable thereafter semiannually on March 1 and September 1, (iii) all the Bonds of such Series of like maturity shall be identical in all respects, except as to number or denomination, and (iv) serial maturities of Serial Bonds of such Series or Sinking Fund Account Payments for Term Bonds of such Series, or any combination thereof, shall be established to provide for the redemption or payment of the Bonds of such Series on or before their respective maturity dates;

(4) The redemption premiums and redemption terms, if any, for such Series;

(5) The form of the Bonds of such Series;

(6) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Redemption Fund, and its use to pay interest on the Bonds of such Series;

(7) The amount, if any, to be deposited from the proceeds of sale of such Series in the Bond Reserve Fund; provided, that the Required Bond Reserve shall be satisfied at the time that such Series becomes Outstanding;

(8) The amount, if any, to be deposited from the proceeds of sale of such Series in the separate account for such Series to be maintained in the Costs of Issuance Fund; and

(9) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Master Indenture;

(b) No Event of Default under the Master Indenture or under any Supplemental Indenture shall have occurred and shall be then continuing;

(c) The Net Special Tax Revenues expected to be available to the City if the Special Tax were to be levied and collected at its maximum rate and amount on all Taxable Land in the Improvement Area during each Fiscal Year that any Bonds of such Series will be Outstanding, as shown by a written certificate of a special tax consultant selected by the City on file with the Trustee, would have produced a sum equal to at least 110% of the annual Debt Service during the Bond Year that begins in such Fiscal Year; provided, that the Net Special Tax Revenues expected to be available to the City from the levy of the Special Tax on any Unit (as defined in the Special Tax Formula) of High-Density Residential Property (as defined in the Special Tax Formula) or any Unit of Mixed-Use Residential Property (as defined in the Special Tax Formula) shall not be used in such calculation for any Fiscal Year unless such Unit of High-Density Residential Property or Unit of Mixed-Use Residential Property is classified as Developed Property (as defined in the Special Tax Formula) under the Special Tax Formula as of the date of such calculation; and

(d) The aggregate Value-to-Lien Ratio of all Taxable Land (excluding the Value of any parcels of Taxable Land then delinquent in the payment of any Special Tax) shall be at least 3:1; and, for the purposes of this subparagraph (d) under the Master Indenture, the term "Value" means either the current assessed valuation of a parcel of Taxable Land or the appraised value of a parcel of Taxable Land determined by an MAI appraiser, and the term "Value-to-Lien Ratio" means the Value of all Taxable Land to the aggregate principal amount of all Bonds Outstanding and the Series proposed to be issued plus the aggregate principal amount of all other assessment bonds and bonds issued under the Act and reasonably allocable to such Taxable Property.

Notwithstanding subparagraphs (c) and (d) described above, nothing contained in the Master Indenture shall limit the issuance of any Series payable from the Net Special Tax Revenues as provided therein if after the issuance and delivery of such Series none of the Bonds theretofore issued thereunder will be Outstanding, and nothing contained therein shall limit the issuance of any Series payable from the Net Special

Tax Revenues as provided therein if, after the issuance and delivery of such Series, the Debt Service in each Bond Year that begins after the issuance of such Series is not increased by reason of the issuance of such Series.

Deposit of Proceeds of the Special Tax in the Special Tax Fund; Pledge of Net Special Tax Revenues and Other Amounts

The City agrees and covenants that all proceeds of the Special Tax, when and as received, will be received and held by it in trust under the Master Indenture, and will be deposited as and when received in the "City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Special Tax Fund," which fund is established in the treasury of the City and which fund the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding under the Master Indenture, and all such money in the Special Tax Fund shall be accounted for separately and apart from all other accounts, funds, money or other resources of the City, and shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Master Indenture. Subject only to the provisions of the Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Master Indenture, all of the Net Special Tax Revenues received by or on behalf of the City and any other amounts held in the Special Tax Fund, the Bond Redemption Fund, and the Bond Reserve Fund. Such pledge constitutes a lien on and security interest in such assets and will attach, be perfected, and be valid and binding without any physical delivery or further act.

Notwithstanding anything to the contrary in the Master Indenture, as soon as practicable after the receipt by the City of any prepayment of the Special Tax, the Treasurer shall (i) deposit any component thereof representing the "Future Facilities Amount" (as defined in the Special Tax Formula) in the Acquisition and Construction Fund, (ii) deposit any component thereof representing the "Administrative Fees and Expenses" (as defined in the Special Tax Formula) in the Expense Fund, and (iii) transfer to the Trustee for deposit in the Bond Redemption Fund, any remaining amounts, for the extraordinary redemption of Bonds pursuant to the terms of any Supplemental Indenture. The respective amounts of the deposits and transfers described in clauses (i), (ii) and (iii) will be determined by the Treasurer.

Allocation of Money in the Special Tax Fund

All money in the Special Tax Fund shall be set aside by the Treasurer in the following respective funds and accounts (each of which funds and accounts the City agrees and covenants to maintain with the Treasurer or the Trustee, as the case may be, so long as any Bonds are Outstanding under the Master Indenture) in the following order of priority, and all money in each of such funds and accounts shall be applied, used and withdrawn only for the purposes authorized in the Master Indenture, namely:

(1) City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Expense Fund (maintained by the Treasurer) (Priority Administrative Expenses Deposit). Promptly after the receipt of any proceeds of the Special Tax in a Fiscal Year, the Treasurer shall, from the money in the Special Tax Fund, transfer to and deposit in the Expense Fund a sum equal to the Priority Administrative Expenses for such Fiscal Year.

(2) City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Bond Redemption Fund (maintained by the Trustee). On or before the first (1^{st}) day in each March and September, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such March 1 or September 1, as the case may be, and on or before the first (1^{st}) day in September 1 in each year, the Treasurer shall, from the then remaining

money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on such September 1 plus the Sinking Fund Account Payments required to be made on such September 1 into the Sinking Fund Account; provided, that all of the aforesaid payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds on such date, or in the event that the money in the Bond Redemption Fund on any September 1 is not equal to the amount of principal of the Bonds becoming due on such date plus the amount of the Sinking Fund Account Payments becoming due on such date, as the case may be, then such money shall be applied pro rata in such proportion as such interest and principal and Sinking Fund Account Payments bear to each other; and provided further, that no deposit need be made into the Bond Redemption Fund if the amount of money contained therein is at least equal to the amount required by the terms of the Master Indenture as summarized by this paragraph to be deposited therein at the times and in the amounts provided in the Master Indenture.

All money in the Bond Redemption Fund shall be used and withdrawn by the Trustee solely to pay the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity) plus the principal of and redemption premiums, if any, on the Bonds as they shall mature or upon the prior redemption thereof, except that any money in the Sinking Fund Account shall be used only to purchase or redeem or retire Term Bonds and any money deposited in the Bond Redemption Fund from the proceeds of a Series of Bonds to be used to pay interest on that Series of Bonds shall, subject to the terms of the Supplemental Indenture providing for the issuance of such Series of Bonds, be used only to pay interest on that Series of Bonds.

(3) City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Bond Reserve Fund (maintained by the Trustee). On or before the first (1st) day in September in each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Reserve Fund such amount of money as shall be required to restore the Bond Reserve Fund to an amount equal to the Required Bond Reserve; and for this purpose all investments in the Bond Reserve Fund shall be valued on or before September 1 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the lesser of (i) the par value of such investments, or (ii) the price at which such investments are redeemable by the holder at his or her option, if so redeemable, or if not so redeemable, at the lesser of (i) the par value of such investments, or (ii) the market value of such investments; provided, that no deposit need be made into the Bond Reserve Fund if the amount contained therein is at least equal to the Required Bond Reserve. In making any valuations under the Master 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.

Any money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the interest on or principal of the Bonds in the event there is insufficient money in the Bond Redemption Fund available for this purpose; (ii) reinstating the amount available under any municipal bond insurance policy, surety bond, or letter of credit held in satisfaction of all or a portion of the Required Bond Reserve (each a "Reserve Fund Credit Instrument"); or (iii) retiring Bonds, in whole or in part, to the extent that the amount on deposit in the Bond Reserve Fund exceeds the Required Bond Reserve due to a redemption or defeasance of Bonds; provided, that if as a result of any of the valuations required by the paragraph immediately above it is determined that the amount of money in the Bond Reserve Fund exceeds the Required Bond Reserve, the Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Bond Redemption Fund; and provided further, that prior to the first to occur of the delivery by the City of a Series 2022 Escrow Fund Release Certificate to the Trustee and the Series 2022 Escrow

Bonds Mandatory Redemption Date, any money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of Bonds other than the Series 2022 Escrow Bonds in the event there is insufficient money in the Bond Redemption Fund available for this purpose.

(4) City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Expense Fund (maintained by the Treasurer). On September 1 in each year, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Expense Fund a sum equal to the amount required by the City for the payment of budgeted Expenses during the twelve-month period beginning on such date, or to reimburse the City for the payment of unbudgeted Expenses during the prior twelve-month period, in each case, to the extent such Expenses were not already funded or reimbursed by a deposit of Priority Administrative Expenses as set out in subparagraph (1) above. All money in the Expense Fund shall be used and withdrawn by the Treasurer only for transfer to or for the account of the City to pay budgeted Expenses as provided in the Master Indenture, or to reimburse the City for the payment of unbudgeted Expenses as provided in the Master Indenture, or, at the option of the City, to pay interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money is available therefor.

All money remaining in the Special Tax Fund on September 1 of each year, after transferring all of the sums required to be transferred therefrom on or prior to such date by the provisions of the Master Indenture as described above in paragraphs (1), (2), (3), and (4) of this section, shall be withdrawn from the Special Tax Fund by the Treasurer for and deposited in the "City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Community Facilities Fund," which fund the City agrees and covenants to maintain with the Treasurer so long as any Bonds are Outstanding under the Master Indenture, and all money in the Community Facilities Fund shall be used and withdrawn by the City solely for the benefit of the Community Facilities District in accordance with the Act; provided, that the Treasurer shall not make any such withdrawal of money in the Special Tax Fund if and when (to the Treasurer's actual knowledge) an Event of Default is then existing under the Master Indenture.

Covenants of the City

Punctual Payment and Performance. The City will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued under the Master Indenture in strict conformity with the terms of the Act and of the Master Indenture and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Indenture and in all Supplemental Indentures and in the Bonds required to be observed and performed by it.

Against Indebtedness and Encumbrances. The City will not issue any evidences of indebtedness payable from the Net Special Tax Revenues except as provided in the Master Indenture, and will not create, nor permit the creation of, any pledge, lien, charge or other encumbrance upon any money in the Special Tax Fund other than as provided in the Master Indenture; provided, that the City may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose of the Community Facilities District which are payable from any money in the Community Facilities Fund as may from time to time be deposited therein so long as any payments due thereunder shall be subordinate in all respects to the use of the Net Special Tax Revenues as provided in the Master Indenture.

Against Federal Income Taxation.

(a) The City will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the City will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the City or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the City, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code; provided, that if the City shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under the Master Indenture as described in this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the City may rely conclusively on such opinion in complying with the provisions of the Master Indenture. In the event that at any time the City is of the opinion that for purposes of the Master Indenture described in this section it is necessary to restrict or limit the yield on the investment of any money held by the Treasurer under the Master Indenture or otherwise the City shall so instruct the Treasurer in writing, and the Treasurer shall take such action as may be necessary in accordance with such instructions.

(b) Without limiting the generality of the foregoing, the City will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation shall survive payment in full or defeasance of the Bonds, and to that end, there is established in the treasury of the City a fund to be known as the "City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds Rebate Fund" to be held in trust and administered by the Treasurer. The City will comply with the provisions of each Tax Certificate with respect to making deposits in the Rebate Fund, and all money held in the Rebate Fund is pledged to provide payments to the United States of America as provided in the Master Indenture and in each Tax Certificate and no other person shall have claim to such money except as provided in each Tax Certificate.

(c) In connection with the issuance of a Series of Bonds, the City may exclude the application of the covenants contained in the Master Indenture as described under this caption to such Series of Bonds.

Payment of Claims. The City will pay and discharge any and all lawful claims which, if unpaid, might become payable from the Net Special Tax Revenues or any part thereof or upon any funds in the hands of the Treasurer or the Trustee allocated to the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, or which might impair the security of the Bonds.

Protection of Security and Rights of Holders. The City will preserve and protect the security of the Bonds and the rights of the Holders and will warrant and defend their rights against all claims and demands of all persons.

Levy and Collection of the Special Tax. The City, so long as any Bonds are Outstanding, will annually levy the Special Tax against all Taxable Land in the Improvement Area in accordance with the Special Tax Formula and, subject to the limitations in the Special Tax Formula and the Act, make provision for the collection of the Special Tax in amounts which will be sufficient, together with the money then on deposit in the Bond Redemption Fund or on deposit with the Trustee for transfer to the Bond Redemption Fund, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Master Indenture, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund (including reinstating the amount available under any Reserve Fund Credit Instrument, as contemplated in the Master Indenture) and to pay all current Expenses as they become due and payable in accordance with the provisions and terms of the Master Indenture. The Special Tax shall be collected in the same manner as ordinary ad valorem property taxes for the County of Sacramento are collected and, except as otherwise provided in the Master Indenture or by the Act, shall be subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

Foreclosure of Special Tax Liens. The City will annually on or before October 1 of each year review the public records of the County of Sacramento relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by one thousand five hundred thirty dollars ($1,530) or more for Fiscal Year 2021-22, which dollar amount shall escalate by two percent (2.0%) per annum for each Fiscal Year after Fiscal Year 2021-22, in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the City determines that the total amount so collected is less than ninety-five percent (95%) of the total amount of the Special Tax levied in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California; and provided further, that the City shall not be obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the City shall have received one hundred percent (100%) of the amount of such installment from the County of Sacramento pursuant to the so-called "Teeter Plan."

Continuing Disclosure. The City will comply with and carry out all of the provisions of each continuing disclosure certificate or continuing disclosure agreement executed by the City in connection with the issuance of a Series of Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and notwithstanding any other provision hereof, failure of the City to comply with any continuing disclosure certificate or continuing disclosure agreement shall not be considered an Event of Default under the Master Indenture; provided, that any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Master Indenture as described in this paragraph.

Further Assurances. The City will adopt, deliver, execute, make and file any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Master Indenture and for the better assuring and confirming unto the Holders of the rights and benefits provided in the Master Indenture, including without limitation the filing of all financing statements, agreements, instruments or other documents in the forms and in the locations necessary to perfect and protect, and to continue the perfection of, the pledge of the Net Special Tax Revenues provided in the Master Indenture to the fullest extent possible under applicable law of the State of California.

Amendment of or Supplement to the Master Indenture

Procedure for Amendment of or Supplement to the Master Indenture.

(a) Amendment or Supplement With Consent of Holders. The Master Indenture and the rights and obligations of the City and of the Holders may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Master Indenture, shall have been filed with the Trustee; provided, that no such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the City to pay the interest on or principal of or Sinking Fund Account Payment for or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency and from the funds provided in the Master Indenture without the express written consent of the Holder of such Bond, or (2) permit the issuance by the City of any obligations payable from the Net Special Tax Revenues on a parity with the Bonds other than as provided in the Master Indenture, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce the percentage of Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto. The written consent of the Holders of a Series of Bonds may be effected (a) through a consent by the underwriter of such Series of Bonds at the time of the issuance of such Series of Bonds and (b) through a provision of a Supplemental Indenture that deems any Holder purchasing such Series of Bonds to consent for purposes of the provisions of the Master Indenture described in this paragraph by virtue of its purchase of such Series of Bonds.

(b) Amendment or Supplement Without Consent of Holders. The Master Indenture and the rights and obligations of the City and of the Holders may also be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding upon execution without the prior written consent of any Holders, but only for any one or more of the following purposes –

(i) To add to the agreements and covenants required in the Master Indenture to be performed by the City other agreements and covenants thereafter to be performed by the City which shall not (in the opinion of the City) adversely affect the interests of the Holders, or to surrender any right or power reserved in the Master Indenture to or conferred in the Master Indenture upon the City which shall not (in the opinion of the City) materially adversely affect the interests of the Holders;

(ii) To make such provisions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained in the Master Indenture or in regard to questions arising under the Master Indenture which the City may deem desirable or necessary and not inconsistent with the Master Indenture and which shall not (in the opinion of the City) materially adversely affect the interests of the Holders;

(iii) To authorize the issuance under the Act and under the Master Indenture of a Series and to provide the conditions and terms under which such Series may be issued, subject to and in accordance with the provisions of the Master Indenture;

(iv) To authorize the issuance under and subject to the Act of any refunding bonds for any of the Bonds and to provide the conditions and terms under which such refunding bonds may be issued, subject to and in accordance with the provisions of the Master Indenture;

(v) To make such additions, deletions or modifications as may be necessary or appropriate to insure compliance with Section 148(f) of the Code relating to the required rebate of excess investment earnings to the United States of America, or otherwise as may be necessary to insure the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds or the exemption of such interest from State of California personal income taxes;

(vi) To make such additions, deletions or modifications as may be necessary or appropriate to maintain any then current rating on the Bonds;

(vii) To permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by that act or similar federal statute and which shall not (in the opinion of the City) materially adversely affect the interests of the Holders; and

(viii) For any other purpose that does not (in the opinion of the City) materially adversely affect the interests of the Holders.

Disqualified Bonds. Bonds owned or held for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Master Indenture, and shall not be entitled to consent to or take any other action provided therein.

Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided in the Master Indenture, the City may determine that the Bonds may bear a notation by endorsement in form approved by it as to such action, and in that case upon demand of the Holder of any Bond Outstanding on such effective date and presentation of his Bond for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the City shall so determine, new Bonds so modified as, in the opinion of the City, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Bond Outstanding on such effective date such new Bonds shall, upon surrender of such Outstanding Bonds, be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Holder, for Bonds then Outstanding.

Amendment or Supplement by Mutual Consent. The provisions of the Master Indenture shall not prevent any Holder from accepting any amendment or supplement as to any particular Bonds held by him; provided, that due notation thereof is made on such Bonds.

Events of Default and Remedies

Events of Default and Remedies of Holders. If one or more of the following events (herein “Events of Default”) shall happen, that is to say --

(a) if default shall be made by the City in the due and punctual payment of any interest on or principal of or Sinking Fund Account Payment for any of the Bonds when and as the same shall become due and payable, whether at maturity, by proceedings for redemption or otherwise;

(b) if default shall be made by the City in the observance or performance of any of the other agreements or covenants contained in the Master Indenture required to be observed or performed by it, and such default shall have continued for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Trustee; or

(c) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then in each and every such case during the continuance of such Event of Default the Trustee may take the following remedial steps --

(a) by mandamus or other suit or proceeding at law or in equity to compel the City Council or the City or any of the officers or employees of the City to perform each and every term, provision and covenant contained in the Master Indenture and in the Bonds and carry out their duties under the Act and the agreements and covenants with the Holders contained in the Master Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Holders; or

(c) by suit in equity upon the nonpayment of the Bonds to require the City Council or the City or its officers and employees to account as the trustee of an express trust.

Application of Net Special Tax Revenues After Default. If an Event of Default shall occur and be continuing, all Net Special Tax Revenues thereafter received by the City shall be immediately transferred to the Trustee and the Trustee shall apply all Net Special Tax Revenues and any other funds thereafter received by the Trustee under any of the provisions of the Master Indenture as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, including the costs and expenses of the Trustee and the Holders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Master Indenture.

(b) To the payment of the principal of and interest and premium, if any, then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Master Indenture, as follows:

First: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the persons entitled thereto of the unpaid principal (including Sinking Fund Account Payments) of and redemption premium, if any, on the Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal of and premium, if any, due on such date to the persons entitled thereto, without any discrimination or preference.

(c) Any remaining amounts shall be transferred by the Trustee to the City for deposit in the Special Tax Fund.

Trustee to Represent Holders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Master Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Holders, the Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Master Indenture, or in aid of the execution of any power granted in the Master Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Master Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Net Special Tax Revenues and other amounts and assets pledged under the Master Indenture, pending such proceedings. All rights of action under the Master Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Master Indenture.

Holders' Direction of Proceedings. Anything in the Master Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnifying the Trustee to its satisfaction therefor, to direct the method of conducting all remedial proceedings taken by the Trustee under the Master Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Master Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction.

Limitation on Holders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Master Indenture, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Master Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Master Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by such Holder's or Holders' action to affect, disturb or prejudice the security of the Master Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Master Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Master Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Master Indenture.

Absolute Obligation of the City. Nothing in the Master Indenture, or in the Bonds, contained shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and redemption premium, if any, and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Master Indenture, but only out of the Net Special Tax Revenues and other assets pledged in the Master Indenture therefor, and not otherwise, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Holders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Holders, then in every such case the City, the Trustee and the Holders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Master Indenture, severally and respectively, and all rights, remedies, powers and duties of the City, the Trustee and the Holders shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred in the Master Indenture upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Master Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of 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 given by the Master Indenture to the Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Defeasance

Discharge of the Bonds.

(a) If the City shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated therein and in the Master Indenture, then all agreements, covenants and other obligations of the City to the Holders of such Bonds under the Master Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City for deposit in the Community Facilities Fund all money or securities held by it pursuant to the Master Indenture which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall on the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the immediately preceding paragraph if there shall be on deposit with the Trustee money which is sufficient to pay the interest due on such Bonds on such date and the principal and redemption premiums, if any, due on such Bonds on such date.

(c) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, notice of redemption shall have been given as provided in the Master Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, (2) there shall have been deposited with an escrow agent or the Trustee either (x) money in an amount which shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be or (y) Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by an Accountant's Report on file with the City and the Trustee in the case of a deposit pursuant to the Master Indenture as described in clause (y) of this paragraph, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have instructed the Trustee to mail pursuant to the Master Indenture a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with such escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with the provisions of the Master Indenture described in this section and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Miscellaneous

Liability of City Limited to Net Special Tax Revenues and Certain Other Funds. Notwithstanding anything contained in the Master Indenture, the City shall not be required to advance any money derived from any source of income other than the Net Special Tax Revenues and the other funds provided in the Master Indenture for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

Waiver of Personal Liability. No member of the City Council or officer or employee of the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, but nothing in the Master Indenture shall relieve any member of the City Council or officer or employee of the City from the performance of any official duty provided by the Master Indenture or by the Act or by any other applicable provisions of law.

Execution in Counterparts; Electronic Signatures. The Master Indenture and the First Supplemental Indenture may each be executed in several counterparts, each of which shall be deemed an original, and all of which, for each respective document, shall constitute but one and the same instrument. Each of the parties to the Master Indenture and the First Supplemental Indenture agrees that the transaction consisting of such agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs such agreement using an electronic signature, it is signing, adopting, and accepting that agreement and that signing such agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on that agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of such agreement in a usable format.

Governing Law. The Master Indenture shall be governed by and construed and interpreted in accordance with the laws of the State of California.

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY

This Continuing-Disclosure Certificate, dated as of June 1, 2022 (this "**Certificate**"), is executed and delivered by the City of Sacramento, a California municipal corporation (the "**Issuer**"), in connection with the issuance of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds, Series 2022 (the "**Bonds**"). The Bonds are being issued under Resolution No. 2022-0168 adopted by the Sacramento City Council on May 31, 2022, and a Master Indenture, dated as of June 1, 2022, as supplemented by a First Supplemental Indenture dated as of June 1, 2022 (collectively, the "**Indenture**"), each between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the "**Trustee**").

The Issuer hereby covenants as follows:

1. **Purpose of this Certificate**. This Certificate is being executed and delivered for the benefit of the Holders and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with the Rule.

2. **Definitions.** In addition to the definitions set forth in the Indenture and the Rate and Method of Apportionment, which apply to any capitalized term used in this Certificate unless otherwise defined in this section 2, the following capitalized terms have the following meanings:

    - "***Annual Report***" means any annual report that meets the criteria in section 4 and is provided by the Issuer under section 3.

    - "***Beneficial Owner***" means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including a person holding Bond through a nominee, depository, or other intermediary); or (b) is treated as the owner of any Bond for federal income-tax purposes.

    - "***Business Day***" means any day the Issuer's offices at 915 I Street, Sacramento, California, are open to the public.

    - "***Dissemination Agent***" initially means the Issuer, and thereafter it means any successor Dissemination Agent the Issuer designates in writing.

    - "***District***" means the Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California.

    - "***EMMA***" means the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org, or any other repository of disclosure information the Securities and Exchange Commission may designate in the future.

    - ***"Fiscal Year"*** means the Issuer's fiscal year, which begins on July 1 and ends the following June 30.

    - ***"Improvement Area No. 2"*** means Improvement Area No. 2 of the District.

    - "***Listed Events***" means any of the events listed in section 5(a) below.

    - "***MSRB***" means the Municipal Securities Rulemaking Board.

- "***Official Statement***" means the Issuer's official statement with respect to the Bonds.

- "***Participating Underwriter***" means Piper Sandler & Co.

- "***Rate and Method of Apportionment***" means the Amended and Restated Rate and Method of Apportionment of Special Tax for Improvement Area No. 2 approved by the Resolution of Formation.

- "***Resolution of Formation***" means the Resolution adopted by the Sacramento City Council on September 24, 2019, and designated as Resolution No. 2019-0371, and the Resolution of Change adopted by the Sacramento City Council on February 1, 2022, and designated as Resolution No. 2022-0036 by which the City established and undertook change proceedings with respect to the District and Improvement Area No. 2 of the District.

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

- "***Tax-exempt***" means that interest on the Bonds is excluded from gross income for federal income-tax purposes, whether or not the interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

3. **Provision of Annual Reports**.

(a) Beginning with the Fiscal Year ending June 30, 2022, the Issuer shall provide to EMMA, or shall cause the Dissemination Agent to provide to EMMA, not later than March 31 after the end of the Fiscal Year, an Annual Report that is consistent with the requirements of section 4 of this Certificate. If the Dissemination Agent is other than the Issuer, then the Issuer shall provide the Annual Report to the Dissemination Agent, in a form suitable for filing with EMMA, not later than 15 business days before the date specified in the prior sentence for providing the Annual Report to EMMA. The Annual Report may be submitted as a single document or as separate documents composing a package and may include by reference other information as provided in section 4 of this Certificate, except that the Issuer's audited financial statements 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.

(b) If the Dissemination Agent is an entity other than the Issuer, then the provisions of this section 3(b) will apply. The Issuer shall provide the Annual Report to the Dissemination Agent not later than 15 Business Days before the date specified in section 3(a) for providing the Annual Report to EMMA. If the Dissemination Agent has not received a copy of the Annual Report by the 15^{th} Business Day before the date for providing the Annual Report, then the Dissemination Agent shall contact the Issuer to determine if the Issuer will be filing the Annual Report in compliance with section 3(a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that the Annual Report constitutes the Annual Report required to be furnished by it under this Certificate. The Dissemination Agent may conclusively rely upon the Issuer's certification and will have no duty or obligation to review the Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in section 3(a), then the Dissemination Agent shall send a notice in a timely manner to EMMA, in the form required by EMMA.

(d) If the Dissemination Agent is other than the Issuer, then the Dissemination Agent shall—

(1) determine each year, before the date for providing the Annual Report, the name and address of the repository if other than the MSRB through EMMA; and

(2) file a report with the Issuer, promptly after receipt of the Annual Report, certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Certificate, all filings must be made in accordance with the EMMA system or in another manner approved under the Rule.

4. **Content of Annual Reports**. The Issuer's Annual Report must contain or include by reference all of the following:

(a) *Financial Statements*. The Issuer's audited financial statements for the most recent Fiscal Year then ended. If audited financial statements are not available by the time the Annual Report is required to be filed by section 3, then the Annual Report must contain unaudited financial statements, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.

(b) *Financial and Operating Data*. The Annual Report must contain or incorporate by reference the following information except to the extent the information is included in the Issuer's audited financial statements or in a report to the California Debt and Investment Advisory Commission that has been uploaded to EMMA:

(1) Balances in each of the following funds established under the Indenture as of the close of the prior fiscal year:

(A) The Bond Redemption Fund (with a statement of the debt-service requirement to be discharged by the fund before the receipt of expected additional Special Tax revenue, *i.e.*, the Debt Service due on the following September 1).

(B) The Bond Reserve Fund.

(2) The aggregate land assessed valuation and the aggregate improvement assessed valuation of the Taxable Property within Improvement Area No. 2.

(3) A statement of the debt-service requirements for the Bonds for the prior Fiscal Year.

(4) A statement of the actual Special Tax collections and delinquencies for Improvement Area No. 2 for the prior Fiscal Year.

(5) An update of the information in Table 3 of the Official Statement based on the assessed valuation of the Taxable Property within Improvement Area No. 2 for the current Fiscal Year, except that the information with respect to overlapping land-secured debt need not be included.

(6) A statement as to whether the Series 2022 Escrow Release Conditions have been satisfied and whether the City has provided a Series 2022 Escrow Fund Release Certificate to the Trustee pursuant to the Indenture; provided, however, that the requirement to provide the information in this section 4(b)(6) shall no longer be required for any Annual Report due after the date on which the City has provided a notice pursuant to section 5(a)(11) or for any Annual Report due after March 31, 2025.

(7) The following information (to the extent that it is no longer reported in the City's annual filings with the California Debt and Investment Advisory Commission regarding the Bonds):

(A) The Required Bond Reserve for the prior Fiscal Year.

(B) A statement as to the status of any foreclosure actions with respect to delinquent payments of the Special Tax.

(C) A statement of any discontinuance of the County's Teeter Plan with respect to any Taxable Parcel.

(c) Any or all of the items listed in section 4(a) or 4(b) may be included by specific reference to other documents (including official statements of debt issues of the Issuer or related public entities) that have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available through EMMA. The Issuer shall clearly identify each document included by reference.

5. **Reporting of Significant Events**.

(a) The Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not more than ten Business Days after the occurrence of any of the following events with respect to the Bonds:

(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, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds.

(6) Defeasances.

(7) Tender offers.

(8) Bankruptcy, insolvency, receivership, or similar proceedings.

Note: For the purposes of the event identified in section 5(a)(8), the event is considered to occur when any of the following occur: if a receiver, fiscal agent, or similar officer is appointed for the Issuer 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 Issuer; 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 if an order confirming a plan of reorganization, arrangement, or liquidation is entered by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(9) Ratings changes.

(10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(11) Satisfaction of the Series 2022 Escrow Fund Release Conditions and delivery to the Trustee by the City of a Series 2022 Escrow Fund Release Certificate.

(b) Additionally, the Issuer shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not more than ten Business Days after the occurrence of any of the following events with respect to the Bonds, if material:

(1) Unless described in section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds.

(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 under its terms.

(3) Appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent.

(4) Nonpayment related defaults.

(5) Modifications to the rights of Bondholders.

(6) Bond calls.

(7) Release, substitution, or sale of property securing repayment of the Bonds.

(8) Incurrence of a financial obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect Bondholders.

(c) For purposes of the events identified in section 5(a)(10) or 5(b)(8), "financial obligation" means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (1) or (2). "Financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(d) If the Issuer's Fiscal Year changes, then the Issuer shall report or shall instruct the Dissemination Agent to report the change in the same manner and to the same parties as Listed Event would be reported under this section 5.

(e) The undertaking set forth in this Certificate is the Issuer's responsibility. The Dissemination Agent, if other than the Issuer, is not responsible for determining whether the Issuer's instructions to the Dissemination Agent under this section 5 comply with the Rule.

6. **Termination of Reporting Obligation.** The obligations of the Issuer and the Dissemination Agent under this Certificate terminate upon the legal defeasance, prior redemption, or payment in full of all of

the Bonds. If termination occurs before the final maturity of the Bonds, then the Issuer shall give notice of the termination in the same manner as for a Listed Event under section 5.

7. **Dissemination Agent.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Issuer will be the initial Dissemination Agent. The Dissemination Agent may resign by providing 30-days' advance written notice to the Issuer, with the resignation effective upon appointment of a new Dissemination Agent.

8. **Amendment.**

    (a) The parties may amend this Certificate by written agreement of the parties without the consent of the Holders, and any provision of this Certificate may be waived, if all of the following conditions are satisfied:

        (1) The amendment or waiver 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 Issuer or the type of business the Issuer conducts.

        (2) The undertakings in this Certificate as so amended or waived would have complied, in the opinion of a nationally recognized bond counsel, with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule as well as any change in circumstances.

        (3) The amendment or waiver either (A) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (B) does not, in the determination of the Issuer, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

    (b) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided under this Certificate, the first Annual Report provided after the change must include a narrative explanation of the reasons for the amendment and the effect of the change on the type of operating data or financial information being provided.

    (c) 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 must 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 must include both a quantitative discussion and, to the extent reasonably feasible, a qualitative discussion of the differences in the accounting principles and the effect of the change in the accounting principles on the presentation of the financial information.

9. **Additional Information.** This Certificate does not prevent the Issuer (a) from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication; or (b) from including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that specifically required by this Certificate, then the Issuer will have no obligation under this Certificate to update the information or include it in any future Annual Report or notice of occurrence of a Listed Event.

10. **Default.** If the Issuer or the Dissemination Agent fails to comply with any provision of this Certificate, then any Holder or Beneficial Owner of the Bonds may take any necessary and appropriate actions,

including seeking mandate or specific performance by court order, to cause the Issuer and the Dissemination Agent to comply with their obligations under this Certificate. A default under this Certificate will not be an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the Issuer or the Dissemination Agent to comply with this Certificate is an action to compel performance.

11. **Duties, Immunities, and Liabilities of Dissemination Agent.**

(a) Where an entity other than the Issuer is acting as the Dissemination Agent, the Dissemination Agent will have only the duties expressly set forth in this Certificate, and the Issuer shall indemnify and save the Dissemination Agent and its officers, directors, employees, and agents harmless against all losses, expenses, and liabilities that arise out of, or in the exercise or performance of, their powers and duties under this Certificate, including reasonable attorney's fees and other expenses of defending against any claim of liability, but excluding losses, expenses, and liabilities due to the Dissemination Agent's negligence or willful misconduct.

(b) Except as provided in section 11(a), the Issuer shall pay any Dissemination Agent (1) compensation for its services provided under this Certificate in accordance with an agreed-upon schedule of fees; and (2) all expenses, legal fees, and advances made or incurred by the Dissemination Agent in the performance of its duties under this Certificate.

(c) The Dissemination Agent has no duty or obligation to review any information the Issuer provides to it under this Certificate. The Issuer's obligations under this section 11 will survive the Dissemination Agent's resignation or removal and payment of the Bonds. No person has any right to commence any action against the Dissemination Agent for any remedy other than specific performance of this Certificate. The Dissemination Agent is not liable under any circumstances for monetary damages to any person for any breach under this Certificate.

12. **Beneficiaries.** This Certificate inures solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, and Holders and Beneficial Owners from time to time of the Bonds, and it creates no rights in any other person or entity.

13. **Merger.** Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business will be the successor Dissemination Agent without the filing of any paper or any further act.

14. **Effective Date.** This Certificate is effective as of the date and year set forth above in the preamble.

CITY OF SACRAMENTO

By:____
John P. Colville Jr., City Treasurer

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APPENDIX H

FORM OF CONTINUING DISCLOSURE CERTIFICATES OF THE DEVELOPERS

CONTINUING DISCLOSURE CERTIFICATE
(M&H Realty Partners VI, L.P.)

This Continuing Disclosure Certificate (M&H Realty Partners VI, L.P.) (this "**Disclosure Certificate**") is executed and delivered by M&H Realty Partners VI, L.P., a California limited partnership (the "**Property Owner**"), in connection with the issuance by the City of Sacramento (the "**City**") of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds, Series 2022 (the "**Bonds**"). The Bonds are being issued pursuant to Resolution No. 2022-0168 adopted by the Sacramento City Council on May 31, 2022, and a Master Indenture, dated as of June 1, 2022 as supplemented by a First Supplemental Indenture dated as of June 1, 2022, each by and between the City and U.S. Bank Trust Company, National Association, as trustee (the "**Trustee**") (collectively, the "**Indenture**"). The Property Owner covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Property Owner for the benefit of the holders and beneficial owners of the Bonds.

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

"***Affiliate***" means any person presently directly (or indirectly through one or more intermediaries) under managerial control of the Property Owner, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property or to the Property Owner's ability to pay the Special Taxes levied on the Property prior to delinquency). For purposes of this Disclosure Certificate, MHRP/Signature Homes, LV I, LLC (and any successor or assignee thereof), shall not be an Affiliate. Any future entities formed by the Property Owner or any other joint venture entity formed by the Property owner to develop property in Improvement Area No. 2 that is a Major Owner who has not entered into an Assumption Agreement, shall be an Affiliate for purposes of this Disclosure Certificate.

"***Assumption Agreement***" means an undertaking of a Major Owner, for the benefit of the holders and beneficial owners of the Bonds, containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner's development and financing plans with respect to the property in Improvement Area No. 2 acquired by the Major Owner), whereby such Major Owner agrees to provide semi-annual reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in Improvement Area No. 2 owned by such Major Owner and, at the option of the Property Owner or such Major Owner, agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 12 hereof.

"***Dissemination Agent***" means the Property Owner or an entity experienced in providing dissemination agent services such as those required under this Disclosure Certificate designated by the Property Owner to serve as the Dissemination Agent hereunder and who has accepted such obligation in writing, and for which the Property Owner has filed with the City and the Participating Underwriter notice of such designation and acceptance.

"***District***" means City of Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California.

"***Improvement Area No. 2***" means Improvement Area No. 2 of the District.

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

"***Major Owner***" means, as of any date of calculation, an owner of land that, together with any Affiliates, owns property that is responsible for 15% or more of the Maximum Special Tax (as defined in the Amended and Restated Rate and Method of Apportionment of Special Tax for Improvement Area No. 2) levy.

"***MSRB***" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"***Official Statement***" means the final Official Statement dated June 14, 2022, executed by the City in connection with the issuance of the Bonds.

"***Participating Underwriter***" means Piper Sandler & Co., the original underwriter of the Bonds.

"***Property***" means, as of the date of determination, (i) the property owned by the Property Owner or any Affiliate in Improvement Area No. 2 of the District, and (ii) the property in Improvement Area No. 2 of the District that the Property Owner sold to a Major Owner who has not assumed the undertakings of this Disclosure Certificate under Section 7(b) with respect to such property.

"***Report Date***" means (a) March 31 of each year, and (b) September 30 of each year.

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

"***Special Taxes***" means the special taxes of the District levied by the City on the Property in Improvement Area No. 2.

Section 3. Provision of Semi-Annual Reports.

(a) Until such obligations are terminated pursuant to Section 7 herein, the Property Owner shall, or upon written direction of the Property Owner the Dissemination Agent shall, not later than the Report Date, commencing September 30, 2022, provide to the MSRB, in an electronic format as prescribed by the MSRB, a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date, the Property Owner shall provide the Semi-Annual Report to the Dissemination Agent (if different from the Property Owner). The Property Owner shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent (if different from the Property Owner), the Participating Underwriter and the City to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Participating Underwriter, and the City may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent is not the Property Owner and it does not receive a Semi-Annual Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this

Disclosure Certificate have terminated (pursuant to Section 7 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall provide a notice to the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the City and the Participating Underwriter.

(c) The Dissemination Agent shall:

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

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

Section 4. Content of Semi-Annual Reports. Each Semi-Annual Report shall contain or incorporate by reference the information set forth in Exhibit A, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The Property Owner shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit A, each Semi-Annual Report shall include 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.

Section 5. Reporting of Significant Events.

(a) Until such obligations are terminated pursuant to Section 7 herein, the Property Owner 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 Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner;

(ii) failure to pay any Special Taxes due with respect to the Property prior to the delinquency date, to the extent such failure is not promptly cured by the Property Owner upon discovery thereof;

(iii) filing of a lawsuit against the Property Owner or, if known, an Affiliate of the Property Owner, seeking damages which, if successful, could have a material and adverse impact on the Property Owner's ability to pay Special Taxes prior to delinquency 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 Property Owner that continues to exist beyond any applicable notice and cure periods on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event, the Property Owner shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, within 10 business days file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the City and the Participating Underwriter.

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

Section 7. Duration of Reporting Obligation.

(a) All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 12) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the Bonds, or

(ii) the date that 80% of the building permits for the planned residential units within the HDR Villages and the mixed-use Villages (as defined and described in the Official Statement) have been issued, or

(iii) the date on which all of the Special Taxes attributable to the Property are prepaid in full.

The Property Owner shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5.

(b) If a portion of the Property is conveyed to a person or entity that, upon such conveyance, will be a Major Owner, the obligations of the Property Owner hereunder with respect to the property conveyed to such Major Owner may be assumed by such Major Owner and the Property Owner's obligations hereunder with respect to the property conveyed will be terminated. In order to effect such assumption, such Major Owner shall enter into an Assumption Agreement in form and substance substantially similar to this Disclosure Certificate. However, a Major Owner shall not be required to enter into an Assumption Agreement if such Major Owner is already a party to a continuing disclosure certificate in form and substance similar to this Disclosure Certificate with respect to the Bonds, and under which the property conveyed to such Major Owner will become subject to future semi-annual reports. As of the date hereof, the Property Owner has sold property, and is under contract to sell additional property, in Improvement Area No. 2 to Signature Homes, Inc. ("**Signature Homes**"). Signature Homes has entered into a continuing disclosure certificate wherein Signature Homes has agreed to provide information regarding the property Signature Homes owns in Improvement Area No. 2 (the "**Signature Homes CDC**"). The Signature Homes CDC specifically states that as additional property is acquired by Signature Homes from the Property Owner, such property automatically (and without the necessity of an Assumption Agreement) becomes subject to the Signature Homes CDC. Accordingly, so long as the Signature Homes CDC has not been terminated, as the Property Owner sells additional property to Signature Homes, the Property Owner shall be released from providing information on the property conveyed without requiring the execution of an Assumption Agreement.

Section 8. Dissemination Agent. The Property Owner may, from time to time, with the written consent of the City, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with the written consent of the City, with or without appointing a successor Dissemination Agent. The initial

Dissemination Agent shall be the Property Owner. The Dissemination Agent may resign by providing 30 days' written notice to the District, the Property Owner, the City, and the Participating Underwriter.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, or change in law;

(b) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Property Owner from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Property Owner chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Property Owner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Participating Underwriter, the City, and any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Owner to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner 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 any loss, expense and liabilities due to the Dissemination Agent's negligence or willful misconduct or failure to perform its duties hereunder. If the Dissemination Agent is not the Property Owner, the Dissemination Agent shall be paid compensation for its services provided hereunder by the Property Owner in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Property Owner, the Participating Underwriter, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given by regular, overnight, or electronic mail as follows:

To the issuer:	City of Sacramento Historic City Hall 915 I Street, 3rd Floor Sacramento, California 95814 Attn: City Treasurer Email: CTO_Debt@cityofsacramento.org Email: bwong@cityofsacramento.org
To the Participating Underwriter:	Piper Sandler & Co. 2626 Fair Oaks Boulevard, Suite 100 Sacramento, CA 95864 Attention: Dennis McGuire Email: dennis.j.mcguire@pjc.com
To the Property Owner:	M&H Realty Partners VI, L.P. 3191 Zinfandel Drive, Suite 23 Rancho Cordova, CA 95670 Attention: Managing Partner Email: smcpherson@merlonegeier.com bcaronite@merlonegeier.com

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

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Property Owner (its successors and assigns), the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Date: June 21, 2022

M&H REALTY PARTNERS, VI, L.P.,
a California limited partnership

By: ______________________________

Name: ______________________________

Title: ______________________________

EXHIBIT A

SEMI-ANNUAL REPORT

[MARCH 31, ____ / SEPTEMBER 30, _____]

$10,230,000
CITY OF SACRAMENTO
DELTA SHORES COMMUNITY FACILITIES DISTRICT NO. 2019-01 (IMPROVEMENTS)
IMPROVEMENT AREA NO. 2 SPECIAL TAX BONDS, SERIES 2022

This Semi-Annual Report is hereby submitted pursuant to Section 4 of the Continuing Disclosure Certificate (M&H Realty Partners VI, L.P.) (the "**Disclosure Certificate**") dated June 21, 2022, executed by the undersigned (the "**Property Owner**") in connection with the issuance by the City of Sacramento (the "**City**") of the bonds captioned above (the "**Bonds**") for Improvement Area No. 2 of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California (the "**District**").

Capitalized terms used in this Semi-Annual Report but not otherwise defined have the meanings given to them in the Disclosure Certificate.

I. Property Ownership and Development

The information in this section is provided as of ____________________ (this date must be not more than 60 days before the Report Date of this Semi-Annual Report).

A. Description of the Property in Improvement Area No. 2 of the District (the "**Property**") in substance and form similar to such information in the Official Statement for the Bonds.

____
____

B. Updated information regarding land development activities with respect to the Property described in the Official Statement for the Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Certificate.

____
____

C. Status of any material changes to the description of land use or development entitlements for the Property described in the Official Statement for the Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Certificate.

____
____

D. Status of any land purchase contracts with regard to the Property, whether acquisition of land in Improvement Area No. 2 by the Property Owner or sales of land to other property owners (other than individual homeowners).

____
____

II. Legal and Financial Status of Property Owner

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any material change in the legal structure of the Property Owner or the financial condition and financing plan of the Property Owner that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement. To the extent that the ownership of the Property Owner has changed, describe all material terms of the new ownership structure.

____
____

III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement.

____
____

IV. Change in Relationship with Merchant Builders

To the extent a relationship exists between the Property Owner and a merchant builder, describe any material change in such relationship with respect to the construction, marketing and sale of homes within Improvement Area No. 2. To the extent that a new merchant builder has been engaged to carry out home construction, marketing and sales activity by the Property Owner in Improvement Area No. 2, fully describe all material terms of the relationship between the Property Owner and any such new merchant builder.

____
____

V. Official Statement Updates

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any other significant changes in the information relating to the Property Owner or the Property contained in the Official Statement under the heading “DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 2” (other than under the captions “Acquisition of MDR Villages by Signature Homes,” “Infrastructure and Home Construction by Signature Homes” and “Signature Homes Financing Plan”), and under the heading “PROPERTY OWNERSHIP — The Developer” that would materially and adversely interfere with the Property Owner’s ability to develop and sell the Property as described in the Official Statement.

____
____

VI. Status of Tax Payments

Describe status of payment of taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property owned by the Property Owner and its Affiliates.

____
____

VII. 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

On behalf of the Property Owner, the undersigned officer or representative, based on actual knowledge after reasonable inquiry of employees of Property Owner and its Affiliates, hereby certifies that this Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by the Property Owner under the Disclosure Certificate.

ANY OTHER STATEMENTS REGARDING THE PROPERTY OWNER, THE DEVELOPMENT OF THE PROPERTY, THE PROPERTY OWNER'S FINANCING PLAN OR FINANCIAL CONDITION, OTHER THAN STATEMENTS MADE BY THE PROPERTY OWNER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE PROPERTY OWNER. THE PROPERTY OWNER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE PROPERTY OWNER HAS NO OBLIGATION TO UPDATE THIS SEMI-ANNUAL REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated:______________________

M&H REALTY PARTNERS, VI, L.P.,
a California limited partnership

By: ________________________________

Name: ________________________________

Title: ________________________________

CONTINUING DISCLOSURE CERTIFICATE
(Signature Homes, Inc.)

This Continuing Disclosure Certificate (Signature Homes, Inc.) (this "**Disclosure Certificate**") is executed and delivered by Signature Homes, Inc., a California corporation (the "**Property Owner**"), in connection with the issuance by the City of Sacramento (the "**City**") of the City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements) Improvement Area No. 2 Special Tax Bonds, Series 2022 (the "**Bonds**"). The Bonds are being issued pursuant to Resolution No. 2022-0168 adopted by the Sacramento City Council on May 31, 2022, and a Master Indenture, dated as of June 1, 2022 as supplemented by a First Supplemental Indenture dated as of June 1, 2022, each by and between the City and U.S. Bank Trust Company, National Association, as trustee (the "**Trustee**") (collectively, the "**Indenture**"). The Property Owner covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Property Owner for the benefit of the holders and beneficial owners of the Bonds.

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

"***Affiliate***" means any person presently directly (or indirectly through one or more intermediaries) under managerial control of the Property Owner, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property or to the Property Owner's ability to pay the Special Taxes levied on the Property prior to delinquency). For purposes of this Disclosure Certificate, MHRP/Signature Homes, LV I, LLC (and any successor or assignee thereof) and any entities formed by the Property Owner for purposes of development of property in Improvement Area No. 2 shall be an Affiliate.

*"**Assumption Agreement**"* means an undertaking of a Major Owner, for the benefit of the holders and beneficial owners of the Bonds, containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner's development and financing plans with respect to the property in Improvement Area No. 2 acquired by the Major Owner), whereby such Major Owner agrees to provide semi-annual reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in Improvement Area No. 2 owned by such Major Owner and, at the option of the Property Owner or such Major Owner, agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 12 hereof.

"***Dissemination Agent***" means the Property Owner or an entity experienced in providing dissemination agent services such as those required under this Disclosure Certificate designated by the Property Owner to serve as the Dissemination Agent hereunder and who has accepted such obligation in writing, and for which the Property Owner has filed with the City and the Participating Underwriter notice of such designation and acceptance.

"***District***" means City of Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California.

*"**Improvement Area No. 2**"* means Improvement Area No. 2 of the District.

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

“***Major Owner***” means, as of any date of calculation, an owner of land, and together with any Affiliates, who owns 84 or more residential lots (or property intended to be subdivided into 84 or more residential lots) in Improvement Area No. 2.

“***MSRB***” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

“***Official Statement***” means the final Official Statement dated June 14, 2022, executed by the City in connection with the issuance of the Bonds.

“***Participating Underwriter***” means Piper Sandler & Co., the original underwriter of the Bonds.

“***Property***” means (i) the property owned by the Property Owner or any Affiliate in Improvement Area No. 2 of the District, and (ii) the property in Improvement Area No. 2 of the District that the Property Owner sold to a Major Owner who has not assumed the undertakings of this Disclosure Certificate under Section 7(b) with respect to such property.

“***Report Date***” means (a) March 31 of each year, and (b) September 30 of each year.

“***Semi-Annual Report***” means any Semi-Annual Report provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“***Special Taxes***” means the special taxes of the District levied by the City on the Property.

Section 3. Provision of Semi-Annual Reports.

(a) Until such obligations are terminated pursuant to Section 7 herein, the Property Owner shall, or upon written direction of the Property Owner the Dissemination Agent shall, not later than the Report Date, commencing September 30, 2022, provide to the MSRB, in an electronic format as prescribed by the MSRB, a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date, the Property Owner shall provide the Semi-Annual Report to the Dissemination Agent (if different from the Property Owner). The Property Owner shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent (if different from the Property Owner), the Participating Underwriter and the City to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Participating Underwriter, and the City may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent is not the Property Owner and it does not receive a Semi-Annual Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 7 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall provide a notice to the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the City and the Participating Underwriter.

(c) The Dissemination Agent shall:

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

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

Section 4. Content of Semi-Annual Reports. Each Semi-Annual Report shall contain or incorporate by reference the information set forth in Exhibit A, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The Property Owner shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit A, each Semi-Annual Report shall include 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.

Section 5. Reporting of Significant Events.

(a) Until such obligations are terminated pursuant to Section 7 herein, the Property Owner 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 Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner;

(ii) failure to pay any Special Taxes due with respect to the Property prior to the delinquency date, to the extent such failure is not promptly cured by the Property Owner upon discovery thereof;

(iii) filing of a lawsuit against the Property Owner or, if known, an Affiliate of the Property Owner, seeking damages which, if successful, could have a material and adverse impact on the Property Owner's ability to pay Special Taxes prior to delinquency 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 Property Owner that continues to exist beyond any applicable notice and cure periods on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event, the Property Owner shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination

Agent to, within 10 business days file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the City and the Participating Underwriter.

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

Section 7. Duration of Reporting Obligation.

(a) All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 12) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the Bonds, or

(ii) at such time as the Property in Improvement Area No. 2 of the District owned by the Property Owner or any Affiliate, or under contract to be acquired by the Property Owner as of the date of issuance of the Bonds, is fewer than 84 residential lots (or property intended to be subdivided into fewer than 84 residential lots) in Improvement Area No. 2, or

(iii) the date on which the Property Owner prepays in full all of the Special Taxes attributable to the Property.

The Property Owner shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5.

(b) If a portion of the Property is conveyed to a person or entity that, upon such conveyance, will be a Major Owner, the obligations of the Property Owner hereunder with respect to the property conveyed to such Major Owner may be assumed by such Major Owner and the Property Owner's obligations hereunder with respect to the property conveyed will be terminated. In order to effect such assumption, such Major Owner shall enter into an Assumption Agreement in form and substance substantially similar to this Disclosure Certificate. As of the date hereof, the Property Owner has acquired property, and is under contract to acquire additional property, in Improvement Area No. 2 from M&H Realty Partners VI, L.P., a California limited partnership ("**M&H**"). M&H has entered into a continuing disclosure certificate wherein M&H has agreed to provide information regarding the property M&H owns in Improvement Area No. 2 (the "**M&H CDC**'). The M&H CDC specifically states that as additional property is acquired by Property Owner from M&H, such property automatically (and without the necessity of an Assumption Agreement) becomes subject to this Disclosure Certificate. Accordingly, so long as this Disclosure Certificate has not been terminated, as Property Owner acquires additional property from M&H, M&H shall be released from providing information on the property conveyed without requiring the execution of an Assumption Agreement.

Section 8. Dissemination Agent. The Property Owner may, from time to time, with the written consent of the City, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with the written consent of the City, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Property Owner. The Dissemination Agent may resign by providing 30 days' written notice to the District, the Property Owner, the City, and the Participating Underwriter.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, or change in law;

(b) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Property Owner from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Property Owner chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Property Owner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Participating Underwriter, the City, and any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Owner to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner 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 any loss, expense and liabilities due to the Dissemination Agent's negligence or willful misconduct or failure to perform its duties hereunder. If the Dissemination Agent is not the Property Owner, the Dissemination Agent shall be paid compensation for its services provided hereunder by the Property Owner in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Property Owner, the Participating Underwriter, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given by regular, overnight, or electronic mail as follows:

To the issuer:	City of Sacramento Historic City Hall 915 I Street, 3rd Floor Sacramento, California 95814 Attn: City Treasurer Email: CTO_Debt@cityofsacramento.org Email: bwong@cityofsacramento.org
To the Participating Underwriter:	Piper Sandler & Co. 2626 Fair Oaks Boulevard, Suite 100 Sacramento, CA 95864 Attention: Dennis McGuire Email: dennis.j.mcguire@pjc.com
To the Property Owner:	Signature Homes, Inc. 4670 Willow Road, Suite 200 Pleasanton, CA 94588 Attention: Adam Browne Email: abrowne@sighomes.com

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

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Property Owner (its successors and assigns), the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Date: June 21, 2022

SIGNATURE HOMES, INC.,
a California corporation

By: ____________________

Name: ____________________

Title: ____________________

EXHIBIT A

SEMI-ANNUAL REPORT

[MARCH 31, ____ / SEPTEMBER 30, _____]

$10,230,000
CITY OF SACRAMENTO
DELTA SHORES COMMUNITY FACILITIES DISTRICT NO. 2019-01 (IMPROVEMENTS)
IMPROVEMENT AREA NO. 2 SPECIAL TAX BONDS, SERIES 2022

This Semi-Annual Report is hereby submitted pursuant to Section 4 of the Continuing Disclosure Certificate (Signature Homes, Inc.) (the "**Disclosure Certificate**") dated June 21, 2022, executed by the undersigned (the "**Property Owner**") in connection with the issuance by the City of Sacramento (the "**City**") of the bonds captioned above (the "**Bonds**") for Improvement Area No. 2 of its City of Sacramento Delta Shores Community Facilities District No. 2019-01 (Improvements), City of Sacramento, County of Sacramento, State of California (the "**District**").

Capitalized terms used in this Semi-Annual Report but not otherwise defined have the meanings given to them in the Disclosure Certificate.

I. **Property Ownership and Development**

The information in this section is provided as of ____________________ (this date must be not more than 60 days before the Report Date of this Semi-Annual Report).

A. Description of the Property currently owned by the Property Owner in Improvement Area No. 2 of the District (the "**Property**") in substance and form similar to such information in the Official Statement for the Bonds.

____

____

B. Updated information regarding land development and home construction activities with respect to the Property described in the Official Statement for the Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Certificate. Such information shall include, for the period covered by this Semi-Annual Report and cumulatively, the statue of infrastructure constructed or to be constructed by the Property Owner, the number of lots acquired from M&H, the number of building permits issued, the number of homes sold and the number of homes closed to individuals.

____

____

C. Status of any material changes to the description of land use or development entitlements for the Property described in the Official Statement for the Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Certificate.

____

____

D. Other than as covered in Section B above, the status of any land purchase contracts with regard to the Property, whether acquisition of land in Improvement Area No. 2 by the Property Owner or sales of land to other property owners (other than individual homeowners).

____

____

II. Legal and Financial Status of Property Owner

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any material change in the legal structure of the Property Owner or the financial condition and financing plan of the Property Owner that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement. To the extent that the ownership of the Property Owner has changed, describe all material terms of the new ownership structure.

____

____

III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement.

____

____

IV. Official Statement Updates

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any other significant changes in the information relating to the Property Owner or the Property contained in the Official Statement under the heading "DEVELOPMENT OF PROPERTY IN IMPROVEMENT AREA NO. 2—Acquisition of MDR Villages by Signature Homes," "Infrastructure and Home Construction by Signature Homes" and "Signature Homes Financing Plan" and under the heading PROPERTY OWNERSHIP — Signature Homes, Inc." that would materially and adversely interfere with the Property Owner's ability to develop and sell the Property as described in the Official Statement.

____

____

V. **Status of Tax Payments**

Describe status of payment of taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property owned by the Property Owner and its Affiliates.

____
____

VI. **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

On behalf of the Property Owner, the undersigned officer or representative, based on actual knowledge after reasonable inquiry of employees of Property Owner and its Affiliates, hereby certifies that this Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by the Property Owner under the Disclosure Certificate.

ANY OTHER STATEMENTS REGARDING THE PROPERTY OWNER, THE DEVELOPMENT OF THE PROPERTY, THE PROPERTY OWNER'S FINANCING PLAN OR FINANCIAL CONDITION, OTHER THAN STATEMENTS MADE BY THE PROPERTY OWNER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE PROPERTY OWNER. THE PROPERTY OWNER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE PROPERTY OWNER HAS NO OBLIGATION TO UPDATE THIS SEMI-ANNUAL REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated:______________________

SIGNATURE HOMES, INC.,
a California corporation

By: ____________________

Name: ____________________

Title: ____________________

APPENDIX I

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 City 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 to the City which the City believes to be reliable, but the City and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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

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*.

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 Bonds 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 prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being prepaid, 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 Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the 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 District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Holder shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, 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 Trustee. 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 Trustee'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 Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

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

THE PAYING AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX J

MARKET ABSORPTION REPORT

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Updated Market and Absorption Analysis For Delta Shores Improvement Area 2 - Revised

Delta Shores IA-2 | Sacramento, CA

for City of Sacramento
April 19, 2022

JOHN BURNS
REAL ESTATE CONSULTING
www.realestateconsulting.com

Table of Contents

Introduction

Background

Client City of Sacramento

Subject The Subject is the Improvement Area 2 portion of the Delta Shores masterplan (“MPC”). This will include for-rent and for-sale product types as outlined here. The “Developer” is Merlone Geier.

Location South of Cosumnes River Blvd. with Delta Shores Circle to the west, south, and east in southern Sacramento just east of Interstate 5.

Setting Masterplan with for-sale and for-rent components. There will be five for-sale villages (product types) and likely five apartment complexes. Delta Shores includes extensive retail space, schools, and open space as well.

Objective Provide relevant market data to support sales / lease rates and resulting build out (absorption) schedules for both product components (for-sale and rental).

Method Review Subject information and visit site. Collect and analyze information on competitive actively selling new home projects and resale transactions. Collect and analyze information on competitive rental projects. Compile and analyze macro-economic, housing market, and demographic data and trends.

Market The Competitive Market Area (“CMA”) is defined as Sacramento south of approximately Highway 50 and west of Highway 99, as well as north of western Elk Grove (west of Highway 99).

Survey Period Nov.-Dec. 2021; revisions Jan-Feb. 2022; revisions April 2022.

Authors Dean Wehrli, Shelly Chen

Contact Dean Wehrli 916-647-3263
dwehrli@realestateconsulting.com

Assumptions

We assume that the Subject product types will have:

- home sizes and types as described for the Subject in this report;
- property taxes and HOA fees as stated in this report;
- homes of good quality and appeal commensurate with production builders in the region or familiar with the region;
- market-appropriate community entrance, monumentation, landscaping, and amenities of the same general appeal as quality new home communities in the CMA;
- advertising and marketing generating qualified shopper traffic commensurate with communities achieving absorption similar to that projected for the Subject;
- fully decorated model homes / rental units for all product series and amenities at least under construction at market entry;
- experienced sales and leasing agent(s) familiar with the local market and virtual leasing platforms
- a virtual office hosting online home tours and an on-site sales / leasing office at market entry and open seven days a week; and
- MU-1 will be developed as attached for-rent townhomes

Failure to meet these conditions could adversely impact achievable prices and/or absorption rates.

Our pricing and absorption recommendations assume competition during the Subject’s marketing period will be similar to today’s competition. *Limiting Conditions*

***COVID-19 Disclaimer**: The COVID 19 pandemic prompted a surge in demand from households searching for a new home, often with more space to accommodate working or learning from home. New-housing supply in many markets, both for rent and for sale, was already falling short of demand. The pandemic accelerated rising prices and rents. JBREC forecasts continued increases in sales volume, home prices, and rents for the next few years, albeit at declining growth rates. Price and rent increases may continue to outpace household income growth in most markets, resulting in worsening affordability. We believe the US housing market has entered a phase in the cycle that we call “high risk, high reward.” With worsening affordability, along with some signs of speculative investing, the markets are more at risk for a pullback due to a change in consumer sentiment, an unanticipated spike in interest rates, or a black swan event.*

EXECUTIVE SUMMARY

Executive Summary

Objectives

- The primary task of this analysis was to assess the residential absorption potential for Improvement Area 2 of the Delta Shores masterplan ("Subject" or "Subject Development") in Sacramento, CA. The Subject includes an estimated 546 for-sale residential units and 1,027 rental units in five apartment complexes. To accomplish this objective, we:
  - Assessed the Subject in terms of planned product, location, orientation, place in the market, etc.
  - Estimated market size relevant to the Subject's residential uses
  - Examined relevant for-sale comparables in the CMA and examined historical for-sale pricing and sales trends to discern market appropriateness of the Subject product and pricing and estimate achievable absorption rates
  - Estimated logical build-out schedules of Subject units, both for sale and for rent, based on estimated rational absorption rates
  - Assessed these build-out schedules against our estimates of market size to discern if they are achievable
  - Examined historical rental market trends in the Subject Area and surrounding region and surveyed apartment comparables in the CMA to assess the validity of Subject rental product, pricing, and absorption potential
  - Gathered information on potential relevant future residential supply in the Subject Area
  - Examined relevant regional and local economic, housing market, and demographic trends that could impact the absorption potential of the Subject

Executive Summary

Subject Development

- The Subject will be part of Delta Shores, a cohesive mixed-use masterplan of over 780 acres, 5,200+ planned new residential units, 1.3+ million square feet of retail, two new elementary schools, as well as parks, extensive open space, and wetlands. The Subject is very near a rail commuter station, and near a major bike trail through the Subject that will go all the way to the Old Town area of Sacramento near major employment.
- The Subject specifically is Improvement Area 2 of Delta Shores, which will include over 1,570 residential units, including 421 for-sale units, 1,027 apartment units, and 125 units leased as Build-for-Rent (BFR) attached townhomes. BFR developments offer product more commonly found in single-family developments, with no units above or below others as the most critical differentiator, but are rented instead of sold. The for-sale product array includes four villages or neighborhoods (product types) defined by lot types (minimum lot sizes / dimensions). The developer provided the product and pricing assumptions for the for-sale array, all within the MDR density classification.
- There are no current plans for the HDR parcels other than they are expected to be apartment complexes. We followed this product assumption and then assigned logical product (unit types, home sizes) and rental pricing in order to assess absorption potential. We assessed absorption potential on a per project basis (i.e., each for-sale neighborhood and each apartment complex) on a cumulative basis (annual community-wide absorption levels).
- The MU-1 mixed-use parcel is now likely to be developed as a BFR community per the Developer. This will be in the form of attached townhomes. This change is very recent and it is beyond the scope of this analysis to generate product and pricing for this BFR development. We thus assume that the MU-1 BFR community will offer rational and market appropriate product and pricing with market appropriate amenities, services, etc. for a BFR community of that size and scope (125 units).

Executive Summary

Subject Development continued

- The map to the right shows the Subject outlined in blue within the context of the overall Delta Shores masterplan (note retail uses to west of Subject have mostly already been completed and are active, and that Interstate 5 is just west of those parcels out of frame).
- The 24-acre community park to the east of the residential development of the Subject is within Improvement Area 2. There are smaller parks that are part of IA-2 that will be maintained by the City of Sacramento.

Key Conclusions

- The immediate area around the Subject, as well as the City of Sacramento more generally (outside of the Natomas area to the north), has long been constrained in terms of new residential development. For this reason, we have assessed market size mainly on a county-wide and MSA-wide level. The Sacramento MSA includes Sacramento, Placer, El Dorado, and Yolo Counties.
- **Single-family permit data relevant to the for-sale market shows market size estimates ranging from about 1,350 to over 8,600 new units** annually based on City-wide, county-wide, and MSA-wide data. **Multi-family permit data relevant to the rental market shows market-size estimates of about 925 to 2,500 annually** across the same areas.
- Given market size estimates and corresponding capture rates, as well as long-term market norms and the performance of comparable new home projects, we believe **absorption levels of 3.8 to 4.0 per month for for-sale neighborhoods and 15 leases per month for each apartment complex at the Subject are achievable. We estimate the BFR community would lease at 8.0 units per month.**
- These absorption rates lead to a **build-out by 2026 for the for-sale component and 2029 or 2033 for the Subject for-rent component**. The necessary market capture rates of these build-out scenarios given our market size estimates are reasonable, particularly in the for-sale sector where Subject absorption expectations are relatively modest. In terms of the Subject rental component, we draw two scenarios for Subject absorption. The first scenario is reasonable and achievable and would absorb Subject rental units by 2033. Scenario 2 would absorb Subject rental units by 2029. While we believe this scenario is also achievable from a market capture perspective, it is somewhat riskier given its greater susceptibility to weakening marketing conditions during the Subject marketing period.

Executive Summary

Market Factors

- **Competitive For-Sale Housing Market**. For-sale housing market conditions are strong, both around the Subject and region-wide. The Sacramento region took a severe dip in the beginning of the COVID-19 pandemic but bounced back with surprising speed. In 2020, resale sales volume increased almost 6% from 2019 levels. 2021 resale sales volume is expected to increase almost 12% from 2020 levels. Prices are up by double digits in almost all relevant geographies to the Subject, though prices have normalized more recently. Comparable new home projects in the Subject CMA – defined as southern Sacramento and western Elk Grove west of Highway 99 – are relatively limited. These comparables are performing well, though rising mortgage rates have begun to slow traffic.
- **Competitive Apartment Market**. Apartment market conditions are extremely strong. Occupancy levels and rental rate growth in the MSA and county are both robust. We also include data on the Florin Road West and South / Elk Grove submarkets (defined by Reis), with the Florin Road West submarket (includes the Subject) holding a 98.7% average occupancy rate. More specifically, relevant nearby Class A apartment comparables show occupancy in the upper 90% level and rents averaging over $2.30 per square foot.
- **Future Supply**. The most relevant potential future residential supply to the Subject appears manageable if not undersupplied. Though there is continuing development in southern Elk Grove (a part of the CMA), this will build out at a reasonable rate over the next several years. Generally, Elk Grove is a less-active new home market than it was several years ago. South Sacramento has very limited sizeable new home developments on the horizon other than the Subject due to lack of developable land. There will be occasional infill projects (e.g., Wickford Square at present). The Crocker Village masterplan near Sacramento City College will continue to build out with for-sale and rental offerings (including both apartments and single-family build-for-rent product) over the next two or so years. More proximate to the Subject, the Stone-Beetland masterplan may enter the market during the Subject's marketing period, but this development is still in its early stages despite ambitious public pronouncements of future plans.
- **Economic Trends**. The region has had a strong economic rebound recovering from the COVID-19 pandemic with solid job growth and income growth projected over the next two years. Overall, even with recent increases in inflation and mortgage rates, we project solid to strong economic conditions at least for the near-term.
- **Mortgage Rates**: We project mortgage rates to finish 2022 at an average rate of 4.8% (full calendar year) after recent increases have spiked the national average to about 5.0% at present. We forecast the average rate for 2023 at 4.8%, followed by slight decreases to 4.5% in 2024 and 4.2% for 2025. Though higher than the recent past, these levels are still historically low with a long-term norm of about 6.0%. Mortgage rates have been at 6.0% or even higher during other strong market periods. Though rising inflation and Federal Reserve activity could push up mortgage rates further, builders have a host of tools to respond to this. Builders could incentivize buyers with rate buy-downs or rate locks, shift buyers into adjustable rates (something many buyers are already doing on their own), ease back on lot premium levels, lower home prices, offer higher general incentives, etc. Historically, home buyers have tended to adjust to rising rates as have builders. Though mortgage rates may slow the market in the near-term and should be monitored, they do not appear to be, at present, cause for alarm. Basic fundamentals of a good economy and very limited housing supply have, to date, maintained strong demand.

Executive Summary

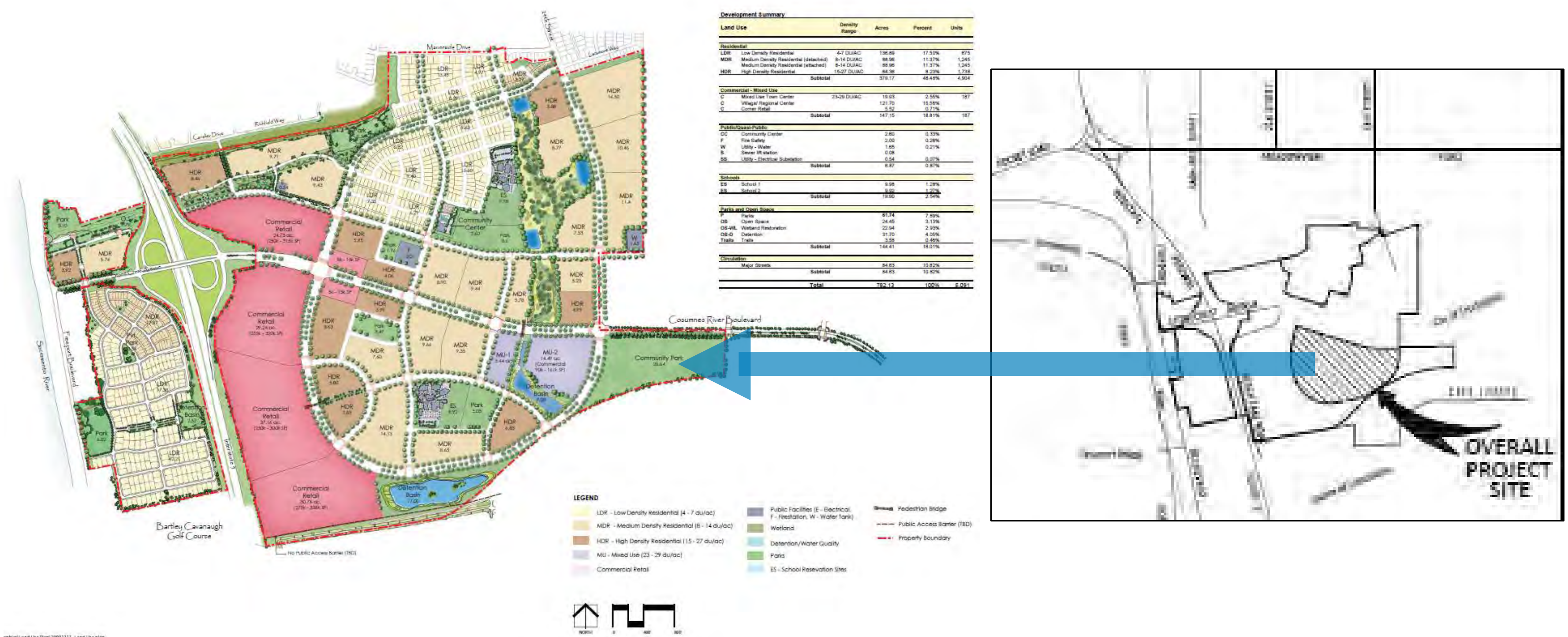
Market Factors cont'd

- **Regional Housing Market**. We project strong sales growth and continued price growth in the Sacramento region, though these trends should moderate in 2024 in tandem with our expectations of national trends. Affordability is increasingly a concern, but the market will be bolstered by limited supply, continued in-state in-migration, and solid economic fundamentals.
- **Demographic Trends**. We project solid population and household growth in the region though somewhat slower than the long-term norm. Depending on the future of remote work and migration from the Bay Area, however, the region could experience faster growth than forecast.

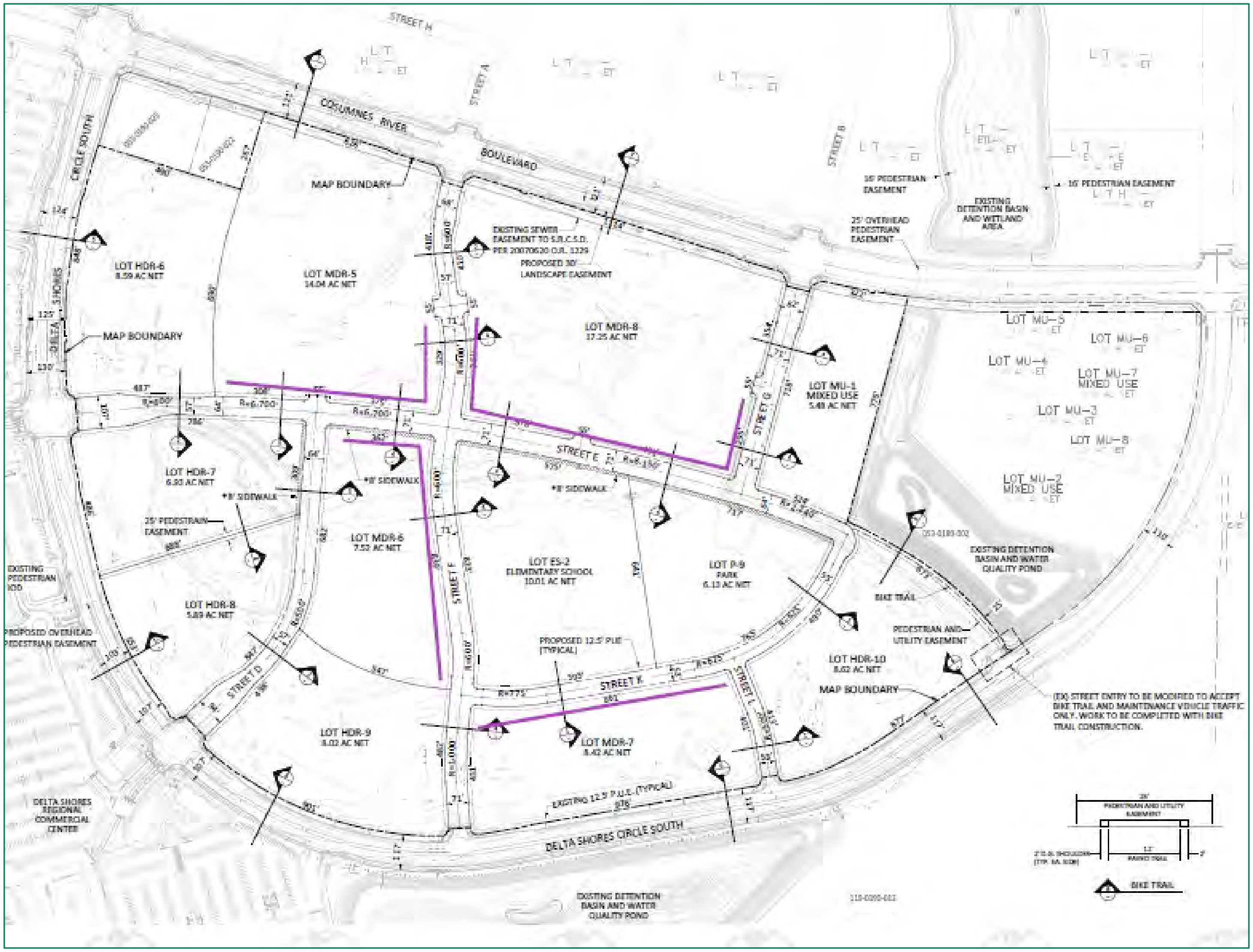
SUBJECT DEVELOPMENT AND PLANNED PRODUCT

Subject Development Overview

- Delta Shores is a 782-acre master planned community in southwest Sacramento, immediately south of the Pocket and Meadowview areas of the City and north of the western portion of the City of Elk Grove. It has already opened much of its total planned +/- 1.3 million square feet of commercial space situated on the eastern side of Interstate 5 south of the new Cosumnes River Blvd. interchange. At build-out per current planning, Delta Shores will encompass over 5,200 residential units, about 144 acres of open space, and a +/- 20-acre mixed-use town center. There will be two elementary schools, interconnecting trails, and thematic landscaping to provide a sense of community cohesion.
- The Subject of this analysis is Improvement Area 2. It is shown in the map below as an inset to illustrate its location within the overall masterplan and is also shown on the next page.



Subject (Improvement Area 2) Site Plan



Subject Development

Subject Product Array Summary

- The planned product array for the Subject is summarized below. Note that the “% Mix” reflects the percent of all residential units, rental and for-sale. Note also that the mixed-use parcel (MU-1) assumes (per Developer) that all 5.48 acres would be for residential use (attached townhomes developed as a BFR community), though a product change is possible as planning continues. Densities and uses reflect current planning per documents we have reviewed as well as discussions with Subject developers. Note that the HDR figures assume maximum densities per Developer, but there are no firm plans reflecting this so actual unit counts may vary. Note also that even the low end of the range for the MU-1 parcel translates to 23 homes to the acre and would make for unusually dense townhome product.

Planning Area	Acreage	Dens. Rng	Density	Units	% Mix	Product	Market Entry
HDR-6	8.59	14-27 du/ac.	27.0	232	15%	3-Story Garden Apts	Apprx. 15 months after lot sale
HDR-7	6.93	14-27 du/ac.	27.0	187	12%	3-Story Garden Apts	Following HDR-6
HDR-8	5.89	14-27 du/ac.	27.0	159	10%	3-Story Garden Apts	Following HDR-7
HDR-9	8.02	14-27 du/ac.	27.0	217	14%	3-Story Garden Apts	Following HDR-8
HDR-10	8.62	14-27 du/ac.	27.0	232	15%	3-Story Garden Apts	Following HDR-9
MU-1	5.48	23-29 du/ac.	23.0	125	8%	Att. Rental Townhomes	Q1 2026
MDR-5	14.04	6.2 du/ac.	6.2	87	6%	SFD 50' x 80'	Q2 2023
MDR-6	7.52	8-14 du/ac.	9.3	102	6%	SFD 25' x 62'	Q2 2024
MDR-7	8.42	8-14 du/ac.	8.5	96	6%	SFD 31' x 59'	Q2 2024
MDR-8	17.25	7.9 du/ac.	7.9	136	9%	SFD 41' x 76'	Q2 2023
Totals	**90.76**			**1,573**	**100%**		

Notes: HDR unit counts are calculated by multiplying the parcel acreage by the maximum density for that planning area and total 1,027 units. MDR parcel densities are per developer. For-sale units total 421. MDR-6 and MDR-7 will be 4" air gap detached product but with attached facing. They will thus technically be SFD but live somewhat like attached townhomes.

For-Sale Product and Pricing

For-Sale Product and Pricing Summary – Detail

- Note that all product specifics (home sizes, bed / bath, etc.) are per Developer and their Builder partner (Signature Homes).

		PRODUCT							TAX & HOA			JBREC PRICING RECOMMENDATIONS									
Project Name	Builder	Mix	Sq. Ft.	Bed	Bath	Other	Levels	Pkg	Tax Rate	Add'l Taxes	HOA	Total Price	Incentive Closing Costs	Net Base Price	Net Base Price/ Sq. Ft.	Options	Premiums	Total Price	Total Price/ Sq. Ft.	90% 3.10% Net Pmt.	31% Income to Qualify
DELTA SHORES MDR-8																					
Delta Shores MDR-8	**Signature Homes**	38	1,940	3	2.5	Flex	2	2	1.55%	$0	$100	$588,000	$0	$588,000	$303	$17,640	$0	$605,640	$312	$4,149	$161,000
		27	2,143	4	3.0		2	2	1.55%	$0	$100	$602,000	$0	$602,000	$281	$18,060	$0	$620,060	$289	$4,245	$164,000
City: Sacramento	Total Units: 136	32	2,367	4	2.5		2	2	1.55%	$0	$100	$618,000	$0	$618,000	$261	$18,540	$0	$636,540	$269	$4,356	$169,000
Product: SFD	Est Sales/Mo.: 4.0	39	2,521	4	2.5	Flex	2	2	1.55%	$0	$100	$639,000	$0	$639,000	$253	$19,170	$0	$658,170	$261	$4,500	$174,000
Min. Lot Size: 3,116																					
Lot Dimensions: 41' x 76'																					
Note: "Flex" indicates some additional room such as bonus, loft, office, etc.																					
	Totals/Averages:	**136**	**2,247**									**$612,463**	**$0**	**$612,463**	**$273**	**$18,374**	**$0**	**$630,837**	**$281**	**$4,318**	**$167,206**
DELTA SHORES MDR-6																					
Delta Shores MDR-6	**TBD**	37	1,597	3	2.5		2	2	1.55%	$0	$100	$499,000	$0	$499,000	$312	$14,970	$0	$513,970	$322	$3,536	$137,000
		28	1,745	3	2.5		2	2	1.55%	$0	$100	$524,000	$0	$524,000	$300	$15,720	$0	$539,720	$309	$3,708	$144,000
City: Sacramento	Total Units: 102	37	1,987	3	2.5		2	2	1.55%	$0	$100	$549,000	$0	$549,000	$276	$16,470	$0	$565,470	$285	$3,880	$150,000
Product: Six-Pack Courts	Est Sales/Mo.: 3.8																				
Min. Lot Size: 1,550																					
Lot Dimensions: 25' x 62'																					
Note: Homes feature four-inch air gaps betweens walls with attached facing.																					
	Totals/Averages:	**102**	**1,779**									**$524,000**	**$0**	**$524,000**	**$295**	**$15,720**	**$0**	**$539,720**	**$303**	**$3,708**	**$143,637**
DELTA SHORES MDR-7																					
Delta Shores MDR-7	**TBD**	34	1,622	3	2.5		2	2	1.55%	$0	$125	$540,000	$0	$540,000	$333	$16,200	$0	$556,200	$343	$3,844	$149,000
		31	1,838	4	3.0		2	2	1.55%	$0	$125	$565,000	$0	$565,000	$307	$16,950	$0	$581,950	$317	$4,016	$155,000
City: Sacramento	Total Units: 96	31	2,214	4	3.0		2	2	1.55%	$0	$125	$590,000	$0	$590,000	$266	$17,700	$0	$607,700	$274	$4,188	$162,000
Product: Six-Pack Courts	Est Sales/Mo.: 3.8																				
Min. Lot Size: 1,829																					
Lot Dimensions: 31' x 59'																					
Note: Homes feature four-inch air gaps betweens walls with attached facing.																					
	Totals/Averages:	**96**	**1,883**									**$564,219**	**$0**	**$564,219**	**$300**	**$16,927**	**$0**	**$581,145**	**$309**	**$4,010**	**$155,135**
DELTA SHORES MDR-5																					
Delta Shores MDR-5	**Signature Homes**	26	2,500	5	3.0		2	2	1.55%	$0	$100	$655,000	$0	$655,000	$262	$19,650	$0	$674,650	$270	$4,610	$178,000
		28	2,685	4	3.0	Flex	2	2	1.55%	$0	$100	$665,000	$0	$665,000	$248	$19,950	$0	$684,950	$255	$4,679	$181,000
City: Sacramento	Total Units: 87	33	2,871	4	3.0	Flex	2	2	1.55%	$0	$100	$675,000	$0	$675,000	$235	$20,250	$0	$695,250	$242	$4,748	$184,000
Product: SFD	Est Sales/Mo.: 4.0																				
Min. Lot Size: 4,000																					
Lot Dimensions: 50' x 80'																					
Note: "Flex" indicates some additional room such as bonus, loft, office, etc.																					
	Totals/Averages:	**87**	**2,700**									**$665,805**	**$0**	**$665,805**	**$247**	**$19,974**	**$0**	**$685,779**	**$254**	**$4,685**	**$181,241**

For-Sale Product and Pricing

For-Sale Product and Pricing Summary – Summary

SUBJECT SUMMARY							BASE PRICE		NET BASE PRICE			TOTAL PRICE				SALES
Product	Product	Lot Size	# of Total Homes	% of Total Homes	Unit Size Range (SF)	Unit Size Avg (SF)	Recommended Base Price Range	Wtd Avg Base Price	Total Incentives	Wtd Avg Net Base Price	Avg. Net Base $/SF	Options	Premiums	Wtd Avg Total Price	Avg Total $/SF	Est. Sales / Mo.
Delta Shores MDR-8	SFD	3,116	136	32%	1,940 - 2,521	2,247	$588,000 - $639,000	$612,463	$0	$612,463	$273	$18,374	$0	$630,837	$281	4.0
Delta Shores MDR-6	Six-Pack Courts	1,550	102	24%	1,597 - 1,987	1,779	$499,000 - $549,000	$524,000	$0	$524,000	$295	$15,720	$0	$539,720	$303	3.8
Delta Shores MDR-7	Six-Pack Courts	1,829	96	23%	1,622 - 2,214	1,883	$540,000 - $590,000	$564,219	$0	$564,219	$300	$16,927	$0	$581,145	$309	3.8
Delta Shores MDR-5	SFD	4,000	87	21%	2,500 - 2,871	2,700	$655,000 - $675,000	$665,805	$0	$665,805	$247	$19,974	$0	$685,779	$254	4.0
SUMMARY			421	100%	1,597 - 2,871	2,144	$499,000 - $675,000	$591,052	$0	$591,052	$276	$17,732	$0	$608,784	$284	3.9

For-Sale Product and Pricing Summary – Discussion

Regarding the for-sale product outlined above, note the following:

- We receive proposed home sizes and pricing from the Developer for all for-sale product types. We assessed these characteristics as well as the Subject location, masterplan setting, schools, etc. for how these factors might impact sales rates at the Subject.
- We believe Developer pricing (developed with their Builder partner, Signature Homes) is generally reasonable given current market factors as well as the specific characteristics of the Subject development. The slightly lower sales rates seen for MDR-6 and MDR-7 is given the very dense and somewhat uncommon product type planned for those parcels (“air gap” small lot detached homes that will live to some degree like attached townhomes). These neighborhoods, however, will still represent relatively attainably priced new home options in the CMA and wider region.
- The product types are also reasonably well-segmented in terms of offering differences in product, home sizes, and pricing, though the MDR-6 and MDR-7 product types are potentially overly similar. Again, we have estimated slightly slower absorption rates for these product types given this factor and those cited above. We believe all estimated absorption rates to be achievable and realistic. The Subject as a whole will represent relative affordability and appears reasonably priced positioned against current key competitors.
- Tax rate, HOA fees, and option spending are per Developer. The Developer provided pricing without incentives, so we have zeroed out incentives in the pricing detail seen previously and in the positioning charts seen later in this report. However, if market conditions are similar or worse than at present, some form of incentivizing would be necessary.

For-Rent Product and Pricing

			PRODUCT						JBREC RECOMMENDED											
		Mix	Sq.	Plan Configuration				Est. Lease-Up	Base		Premium	Average		Concessions			Net Effective Base		Net Effective Average	
Project Name	City	%	Ft.	Bed	Bath	Level	Pkg Spts	Rate	Rent	$/SF		Rent	$/SF	Direct	Indirect	Total	Rent	$/SF	Rent	$/SF
SUBJECT AT STABILIZED OCCUPANCY																				
Subject at Stabilized Occupancy	**Sacramento**	30%	750	1	1.0	1	1	15.0	$1,950	$2.60	1.0%	$1,970	$2.63	$0	$0	$0	$1,950	$2.60	$1,970	$2.63
		55%	1,000	2	2.0	1	2		$2,325	$2.33	1.0%	$2,348	$2.35	$0	$0	$0	$2,325	$2.33	$2,348	$2.35
Product: Stacked Flats	Total Units: 1,027	15%	1,200	3	2.0	1	2		$2,625	$2.19	1.0%	$2,651	$2.21	$0	$0	$0	$2,625	$2.19	$2,651	$2.21
Number of Floors: 3-Story	Total Leased: 0																			
Parking: Cvd./Uncvd.	Total Occupied: 0																			
	Currently Available: 1,027																			
Year Built: Q3 2023 forward																				
	Totals/Averages:	100%	955						$2,258	$2.36	1.0%	$2,280	$2.39	$0	$0	$0	$2,258	$2.36	$2,280	$2.39

The rental product outlined above represents the typical product seen in the CMA and that would be offered at the Subject. Our assumptions are as follows:

- Unit types, unit mix, and bed / bath and parking counts are per JBREC and reflect what would be reasonable and typical product for a new apartment complex in the CMA given the norms of the surrounding rental market. We assume the Subject’s rental component will consist of five apartment complexes, one for each HDR parcel (HDR-6 through HDR-10). We assume all Subject rental developments will be modern, market-rate Class A apartment complexes that generally adhere to the product, amenity package, etc. norms of like product in the CMA.
- Pricing does *not* represent recommended pricing by JBREC. Pricing simply approximately positions the Subject in the market to target a normal new lease-up rate during its lease-up phase assuming normal market conditions. This pricing does account for the Subject location, its masterplan setting, and its other characteristics, but should not be construed as resulting from a detailed pricing analysis by JBREC.
- Given these assumptions and key factors, we believe a **lease-up (absorption) rate of approximately 15 units per month during the initial lease-up phase of an apartment complex at the Subject is reasonable and achievable**. This is informed by our experience in this and other markets, rates at currently and recently leasing up apartment complexes, and the specific characteristics of the Subject (location, accessibility, masterplan setting, schools, etc.). **We estimate a lease-up rate of 8.0 homes per month for the BFR townhome component** (MU-1 parcel). This is in keeping with national norms in the BFR space and is roughly in-line with that achieved by the only currently active BFR community in the region, a detached BFR development in Roseville.
- We assume that these Subject apartment complexes will be introduced onto the market sequentially with some “down time” in between the introductions of each new apartment complex. See later in this report for further assumptions about timing and build out schedule.

Product Assessment

Product Assessment

Here we briefly assess the Subject product array in terms of its fitness for the Subject location, community, and surrounding CMA. We focus these comments on how product characteristics affect our assessment of pricing (given how this impacts absorption) and how product impacts absorption directly through marketability and targeting relevant buyers / renters.

- While the four for-sale product types present variation in terms of lot sizes, lot dimensions, and home sizes, all products are relatively dense by CMA standards. There will be some internal competition given size and pricing overlap, but nothing unreasonable, and similar product selling concurrently is common in masterplans. While this factor is worth noting, it is a minor concern and we have accounted for this in our absorption estimates.
- MDR-6 and MDR-7 will both offer very narrow lots in alley-loaded court configurations with narrow air gaps between units. This product is unusual for the CMA, though not unheard of regionally and densities more generally are increasing. Critically, these product types in particular will have to be priced affordably for the market since buyers will be making a trade-off from more-traditional new home product.
- The planned home sizes for the MDR-5 product are somewhat large given the 4,000+ SF lots and the home sizes prevalent in the CMA for similar product. This is a minor consideration, however.
- There are a great deal of rental units within the Subject per current planning. At 65%, nearly two-thirds of all Subject residential units will be in the form of apartments. Including the BFR townhomes, 73% of all units will be in some higher density configuration and rental. This makes the Subject skewed toward a rental environment. In combination with the relatively smaller lots of the SFD product, this will make for a dense, congested residential environment. This may brand Delta Shores as a rental-oriented community which has the potential to negatively impact the for-sale uses. The overarching relative affordability of the Subject is thus critical. Our absorption estimates assume Subject residential uses will be very competitively priced throughout their marketing, with the for-sale uses positioned near the bottom of the CMA (as they are given the Developer-provided pricing detailed above).

Opportunities & Challenges

Opportunities

- Masterplan community setting with a variety of product lines and attractive amenities.
- Substantial size and scope of Subject should allow it to differentiate itself from Meadowview and South Sacramento areas to north.
- Product will appeal to couples, younger families, as well as some empty nesters and professional couples.
- Excellent accessibility to Interstate 5 and commuter rail station.
- Pocket area to northwest and Elk Grove to south are appealing areas.
- Near huge Downtown Sacramento employment hub.
- Walkable to major retail center with wide variety of venues to immediate west.
- 4.8-mile bike trail terminus scheduled to be constructed in 2023.
- There is a planned Kaiser health facility north of the site that would be walkable for residents (will only impact marketing if there is certainty during marketing period).
- Very limited new home competition in immediate area.
- More affordable than Elk Grove and Natomas.

Challenges

- Overall density of Subject will concern some potential buyers / renters, particularly as Subject builds out and congestion increases.
- Subject schools generally inferior and this will deter some family buyers or renters. Note, however, that new schools are often perceived as superior to surrounding schools.
- The retail to the immediate west of the site will deter some buyer / renters due to concerns about congestion, noise, etc. We consider this retail a clear net-plus, however.
- Though proximity to the Pocket area will be a plus, the Meadowview neighborhood to the northwest of the site (between the Subject and Pocket) has a poor residential reputation.
- Product will have limited appeal to some key buyer segments (e.g., growing families, move-up buyers).
- Mortgage rates have risen and may rise further over the course of the remainder of 2022.
- Some potential for odor from Sacramento Regional Wastewater facility south of the Subject (operator targets maximum of 8 “odor events” per year usually few, if any).
- Potential homeless services facility northeast of the Subject could deter some buyers / renters if there is a high level of development certainty during marketing period. (See further discussion in next section.)

POTENTIAL IMPACT OF HOMELESS FACILITY

Jobs Corps Site Service Center

Potential Impact of Jobs Corps Site Homeless Service Center

- The 102-acre former Jobs Corps Site northeast of the Subject referenced above (see map p. 75) is expected to be developed as some form of a homeless services center in the future. While the Subject will not be immediately adjacent to this site, there is the potential for some negative impact on the marketing (and therefore absorption of buyers and renters) of the Subject. This impact will depend largely on the final uses designated for this site and the timing of its development.
- Though this site was only recently purchased by the City of Sacramento, the development intent as expressed by those involved and reported in the media is for the following: some form of "wrap-around" homeless services intended to assist the unhoused toward a permanent housing solution, an affordable housing element, and some kind of civic amenity such as a park and / or a preserve. In the near-term, however, the expected use is a safe parking area with up to 200 spaces where homeless Sacramentans can park their vehicles without fear of being fined or towed.
- The timing of development for the Jobs Corps Site is thoroughly up in the air. Prior to site development the City will need to conduct community outreach, plan and entitle ultimate uses, gain access, fund and build all necessary infrastructure, and fend off the near certain lawsuits that will come when development plans are made public. Then the City will have to secure substantial funding for whatever ultimate use is decided upon. Even with major political will and momentum behind the endeavor, this will clearly be a years-long process, possibly well over a decade, even beyond the uncertainty that the site will ever be developed as currently intended. This is not at all a comment on the advisability, desirability or need of a homeless services center, but a realistic summary of the hurdles it faces.
- The potential market impact on the Subject of the Jobs Corps Site is the key question here. First, we list some key points that might shape this impact:
  - As noted above, the timing of the homeless facility is extremely uncertain and likely to be drawn out. That is, this process could easily extend beyond the period under study in this analysis during which the Subject would absorb. At the least, there is a strong chance of there being little or no certainty for the homeless facility during this period.
  - Access to the Jobs Corps Site is also uncertain. It is our understanding that the City will seek to access the site from the south, that is, from Consumnes River Blvd. The Subject is also accessed from Consumnes River Blvd. This means the Subject may share this key corridor with homeless center traffic. This is not necessarily a major negative, but even this is uncertain since access from Consumnes River Blvd. will require the cooperation of surrounding private landowners that is far from likely to occur. The alternative would be to access the Jobs Corps Site via Meadowview Road to the north and thus have no shared traffic with the Subject. The safe parking use that is the interim near-term plan is expected to be accessed via Meadowview Road.
  - The site is surrounded by a banked road on all sides and a line of mature trees on the west side that effectively buffers it, particularly visually, from all surrounding uses.

Jobs Corps Site Service Center

Potential Impact of Jobs Corps Site Homeless Service Center cont'd

- In terms of the impact on the marketing and absorption of the Subject, the uncertainties noted above combined with the basic uncertainty of what kind of impact a large homeless service center would have on any nearby mixed-use masterplan. There simply is no analog to draw lessons from. There are, however, some developments that may offer insights.
- In Petaluma, for example, the Mary Isaak Homeless Shelter Clinic is at the immediate marketing window for the Riverfront mixed-use development. There is typically a homeless element visible to buyer traffic proximate to the Riverfront community. Though far smaller than the Jobs Corps Site under consideration here, this proximity has not prevented Tri Pointe from solid sales at Riverfront with pricing that approaches $1 million.
- Closer to home, there are several developments in the core of Sacramento that have faced potentially unattractive adjacencies and have still performed well. These include:
    - The Mill at Broadway adjacent to a very low-income housing complex and some older industrial / warehouse uses.
    - The Creamery in Alkali Flats north of Downtown Sacramento with a significant homeless population in the area and adjacent to railroad tracks.
    - Tapestri Square near T St. and 20th Street is also adjacent to railroad tracks.
    - McKinley Village in east Sacramento is sandwiched by railroad tracks to the south and Interstate 80 to the north.
    - Crocker Village (formerly Curtis Village) in Curtis Park near Sacramento City College has a railroad and the college's football stadium to its immediate west.
- The Jobs Corps Site, however, is a very large parcel and so we should not completely discount the potential for a negative impact on the Subject's marketing and absorption. The most obvious negative impact would result from "spillover" traffic of homeless residents into the Subject neighborhoods, parks, and retail spaces. We have no reliable way of predicting the likelihood of timing of this, but should this occur during the Subject's marketing and absorption period, it would almost certainly slow absorption at the Subject. The impact would likely be greater for Subject home buyers rather than renters since buyers usually have a longer time-horizon and are more concerned about longer-term values. The impact would also be pronounced for uses nearest the Jobs Corps Site and nearest any Subject areas most impacted by homeless facility traffic.
- The Subject, however, is also a very large, multi-use masterplan and so would seem to have the heft and scope to form its own immediate environment that could withstand the impact of proximate uses. The key factors include the uncertainty of timing, uncertainty of ultimate use, uncertainty of access (and potential for access primarily from the north), lack of visibility, and lack of immediate adjacency to the Subject. Thus, while a negative impact cannot be discounted, there is a real possibility that the impact of the Jobs Corps Site homeless facility is negligible in terms of buyer and renter absorption at the Subject during the key absorption period.

ABSORPTION AND CAPTURE

Absorption Rates

Absorption Rate Estimates

- We believe the Subject's for-sale offerings would absorb at approximately **3.8 to 4.0 units per month per product given** their characteristics, market timing expectations per Developer, and market conditions. These absorption estimates are based on assumed Subject product, pricing, location and masterplan setting, limited regional supply, the performance of new home comparables we surveyed, our experience in the CMA and the wider market, and longer-term new home per project norms in the region. We assume decorated models will be open at (or very near) the inception of sales, that there will be a strong marketing effort with a cohesive MPC brand, and that experienced on-site sales staff will sell Subject homes.
- Note that we assume slightly slower sales rates for MDR-6 and MDR-7. This is given the product characteristics of those product lines that are comparatively unfamiliar to most regional buyers and offer narrow lot configurations. Market introductions for the four detached for-sale product types are staggered with MDR-6 and MDR-7 entering the market one year after MDR-5 and MDR-8 (schedule per Developer). (Note that currently only MDR-5 and half of MDR-8 are under contract by a merchant builder, Signature Homes). This creates a build-out schedule and cumulative community-wide absorption levels that we believe are achievable (see further discussion later in this report).
- Currently, sales rates at new home communities are strong, still augmented by remote working-related demand and bolstered by extraordinarily limited supply of about 0.5 months. Though pricing appreciation slowed during the latter part of 2021, this year brought renewed tremendous appreciation. The Subject as priced will be a comparatively affordable offering in the greater Sacramento new home landscape. Though this price positioning is warranted by the Subject's product and location, its absolute price points will bolster its potential to absorb at levels at least equal to long-term norms.
- We estimate the five planned Subject apartment complexes (as outlined earlier) can each absorb approximately 15 leases per month during their lease-up phase. A lease-up phase is usually defined as the start of leasing to the point at which equilibrium is reached (about 90-95% of units are leased). This absorption estimate is based on the market size estimates examined below, our experience in this and other markets with apartment analyses, the characteristics of the Subject, and the performance of currently or very recently leasing apartment developments in the wider Sacramento market that we surveyed. We estimate the BFR component will absorb at 8.0 units per month given our wide experience with this sector across the nation and the performance of Cyrene, the only active BFR community in the region, located in West Roseville.
- Importantly, all apartment projects at the Subject will have significant size and scope. We assume all will be Class A market-rate apartment complexes with typical amenities (e.g., pool, fitness, lounge area), quality product, etc. in keeping with such offerings in the region. We also assume that concessions during the lease-up phase for each Subject complex would be appropriate. New apartment developments often offer concessions during lease-up even given strong market dynamics to more quickly achieve stabilized occupancy of +/- 95%.
- As with the Subject for-sale component, the Subject apartments' location and other characteristics should yield relatively affordable price points compared to other new apartment complexes in attractive suburban settings throughout the region. This will enhance the ability of each Subject apartment complex to absorb at levels roughly at the market norm reflected in our Subject absorption assumptions.

Market Size

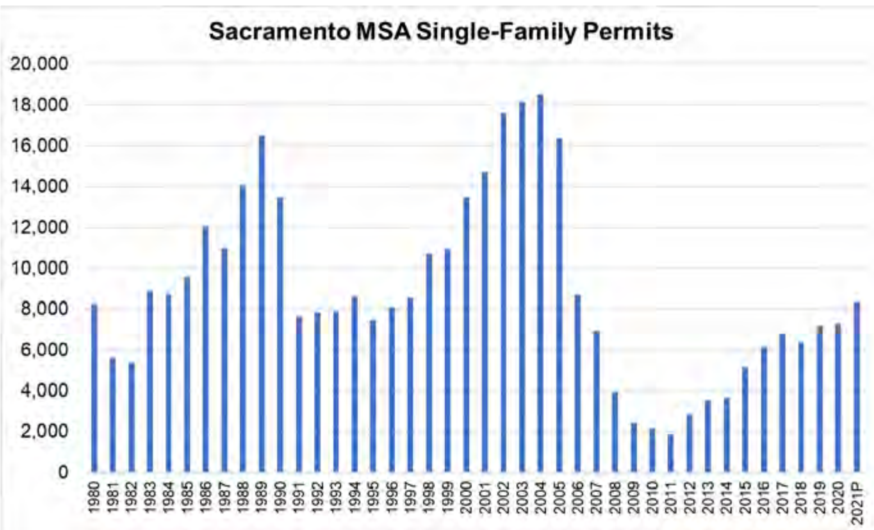
Market Size Estimates

- To test the validity of our absorption assumptions and build outs seen later in this report, we must estimate market size for the for-sale and for-rent markets. This is necessary so we can apply our absorption assumptions and test them for validity in terms of the market capture rates our annual absorption figures imply.
- To estimate market size for the for-sale market, we gathered data on single-family residential (SFR) permits and new home sales. It would be unfair to use data from only the local area around the Subject since this area, and the City of Sacramento more generally (except the Natomas area) has been supply-constrained for many years. Also, buyers will come from throughout the region (and beyond), so it is fair to test Subject for-sale absorption against market size and capture rate estimates based on data from a wider area. In this case, we will focus on data from the Sacramento MSA (Sacramento, Placer, El Dorado, and Yolo Counties) and the Sacramento County levels.
- For the rental sector we have focused on multi-family residential (MFR) permit activity at the regional, county, and city level. Though, as with for-sale activity, MFR activity has been somewhat constrained in the City of Sacramento and we emphasize MSA and county-level data, the city-level data is still pertinent. We also consulted annual apartment completions but there are some drawbacks to this. The completions data are per Reis, a national commercial market data provider. They are, however, at the MSA level (county level not available) and include only apartment complexes of approximately 75 units or more. For this reason, we believe the MFR permit data is most reliable as a test of market size. Note that though MFR permit data include both apartments and attached for-sale units, the latter category is uncommon enough in the Sacramento market to render the MFR permit figures usable for assessing the size of the rental market.
- The actual SFR permit data for the three relevant geographies – Sacramento MSA, Sacramento County, and City of Sacramento – are displayed visually on the next two pages. See further discussion below, but the results for the for-sale market size show about 4,500 county-wide and 8,600 MSA-wide annual units of demand as a rational permit-based measure of the market size for the for-sale sector. Note that even the city-level data show +/- 1,350 annual units of demand annually.
- We show data from new home sales later in this report. The City has averaged 964 annual sales since 2011, the county has averaged 2,268, and the MSA has averaged 4,372. (Note that for both sales and permits, 2021 figures are projected to full-year values by extrapolation from YTD data through October). As expected, the area immediately surrounding the Subject has only experienced about 100 annual new home sales over the last decade, but this is more a reflection of limited supply than limited demand. Permit data are typically more complete and accurate than third-party sales data, but we will use both permit and sales data to judge the achievability of expected Subject absorption when we examine market capture rates later in this report.
- In terms of the Subject rental component, from the analysis on the next two pages, we estimate a relevant market sized based on MFR permits of about 925 annually for the City of Sacramento, +/- 1,625 at the county level, and +/- 2,500 at the MSA level. Sacramento has averaged about 500 apartment unit completions annually per demographic forecasting firm Reis (2007 through 2021 projected). As noted above, the latter measure is least reliable, and we will examine permits as market size measures when we assess a logical capture rate for the Subject's annual rental unit absorption.

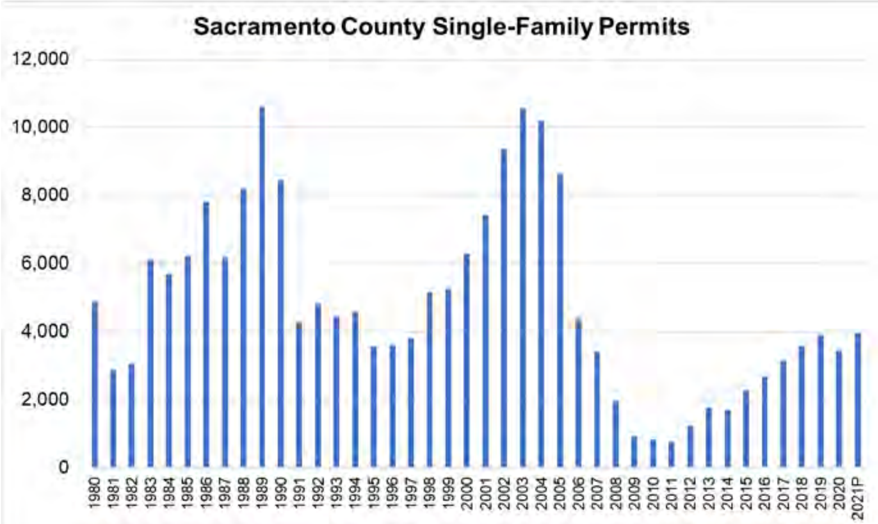
Sacramento MSA Historic Permit Activity

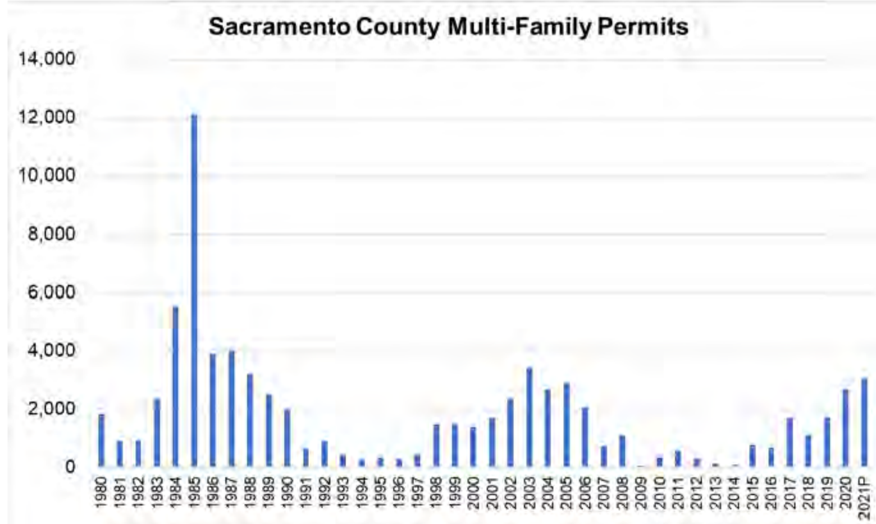
- The table below summarizes single-family and multi-family permit averages from a longer-term and more-recent time spans for the Sacramento MSA, Sacramento County, and Sacramento City. These data are displayed in charts at the bottom of this page and on the succeeding page.
- These figures are fairly similar and both have drawbacks. The longer period includes the 1980s with permit figures that are simply unachievable today. The shorter period includes some extraordinary lows during the Great Recession that are also unlikely to be repeated. For these reasons we have used the "approximate norms" seen on the table below as our permit-based measures of market size.

	Averages SFR			Averages MFR		
Area	**1980-2021**	**2000-2021**	**Approx. Norm**	**1980-2021**	**2000-2021**	**Approx. Norm**
Sacramento MSA	8,900	8,289	8,600	2,763	2,231	2,500
Sacramento County	4,806	4,198	4,500	1,828	1,424	1,625
Sacramento City	1,308	1,361	1,350	862	991	925



Sacramento County and City Historic Permit Activity





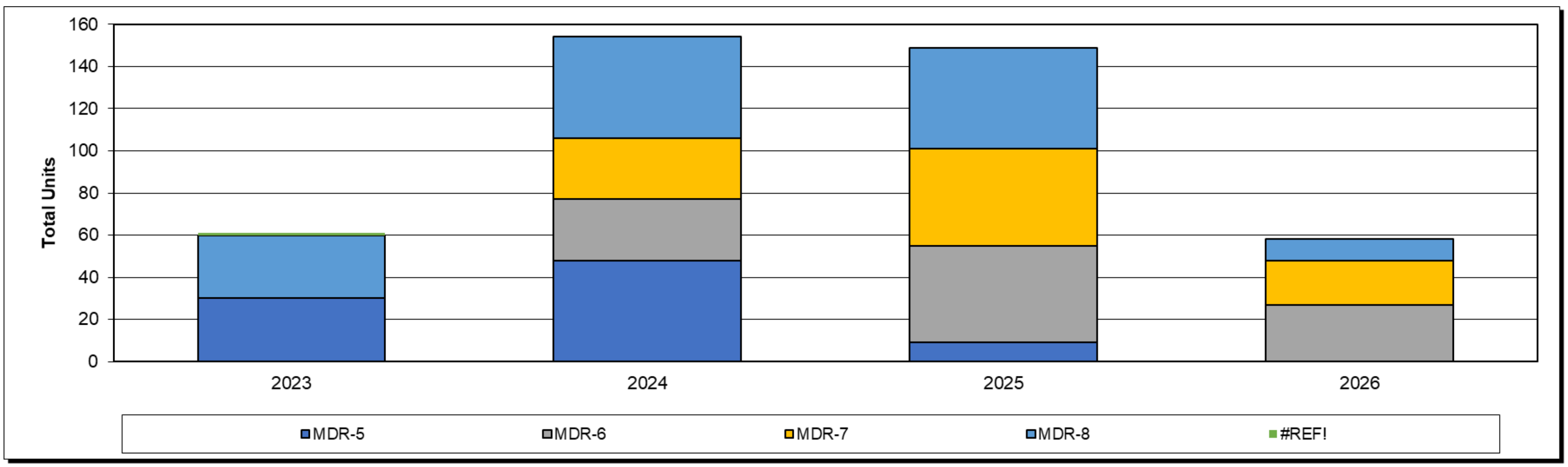
Source: Bureau of Labor Statistics

Subject Build Out

Build Out – For-Sale

- Per the Subject Developer and their builder partner (Signature Homes), the for-sale component is expected to enter the market in Q2 of 2023. Sales would start with MDR-5 and MDR-8. MDR-6 and MDR-7 would follow with sales beginning Q2 2024. We assume sales start midway in Q2 for each neighborhood. We also assume continuous development of all parcels until units are exhausted. Note that MDR-8 is partitioned into two parcels but it is our understanding MDR-8 would be marketed as a single product type / project. We believe this build-out scenario is prudent and achievable given more or less normal market conditions and the Subject being consistently price positioned as seen in this report (that is, generally toward the bottom of the market for the CMA).
- We would expect parcel sales to merchant builders to be finalized roughly six months prior to market entry (assuming parcels are sold as finished lots). This would translate to late-2022/early-2023 for MDR-5/8, and one year later for MDR-6/7. Selling parcels as paper lots would add approximately 6+ months for lot development plus some indeterminant time for final entitlements.

PRODUCT	Product	Min. Lot Size (SF)	Sales/Mo	Total	2023	2024	2025	2026
MDR-5	SFD 50' x 80'	4,075	4.00	87	30	48	9	
MDR-6	SFD 25' x 62'	1,612	3.80	102		29	46	27
MDR-7	SFD 31' x 59'	2,773	3.80	96		29	46	21
MDR-8	SFD 41' x 76'	3,192	4.00	136	30	48	48	10
TOTALS				421	60	154	149	58

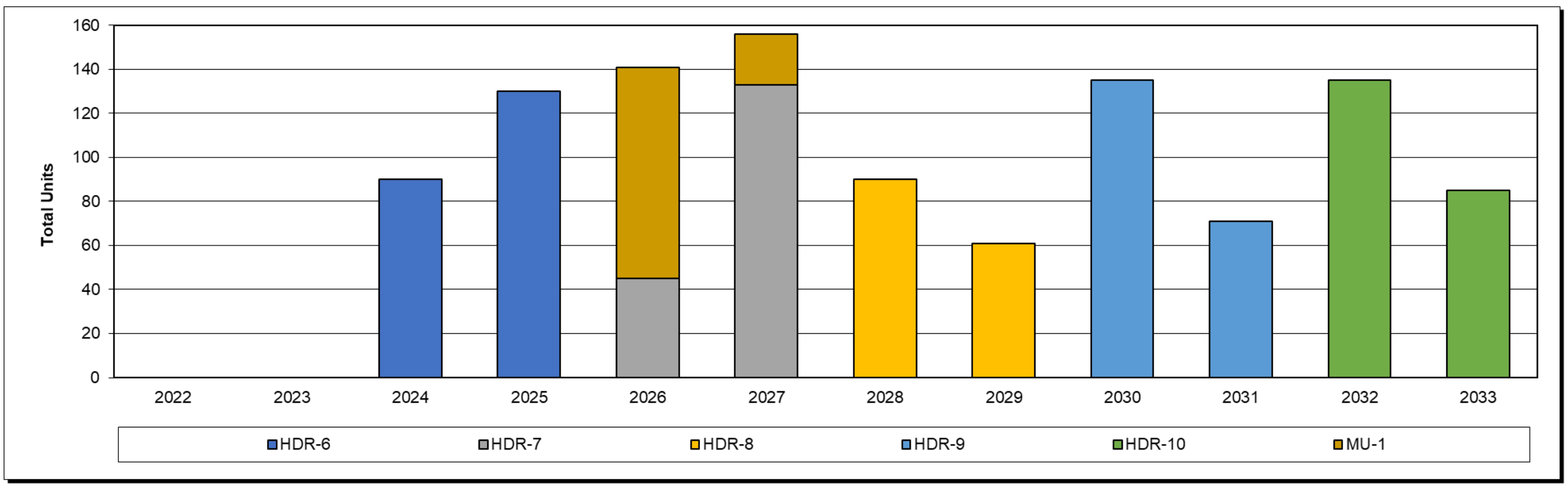


Subject Build Out

Build Out – For-Rent Scenario 1

- Per the Developer, apartment development will begin with parcel HDR-6 in the northwest corner of the Subject and proceed from west to east. The Developer assumes vertical construction some time over the next four years following the land sale of HDR-6. For the purposes of our build out schedules, we have assumed the HDR-6 land sale would occur in 2Q 2023. We then assume approximately 15 months to largely complete construction and start leasing. Thus, in Scenario 1, we start leasing activity at the first Subject apartment complex in July of 2024 (note that pre-leasing prior to occupancies can begin as the complex is nearing completion). We estimate 15 leases per month (see discussion page 15) as an achievable absorption rate during the initial lease-up period. **Note that since +/-95% occupancy is considered stable we absorb only 95% of the units for each HDR parcel. Thus the number of absorbed rental units in the charts and tables that follow equal 95% of total rental units**.
- The build-out seen below assumes the sale of the next multi-family parcel immediately toward the completion of leasing of the previous apartment complex. That is, as HDR-6 leases up (or is at the tail end of full lease-up), HDR-7 is sold with leasing of that complex starting five quarters later. This allows for a "breather" at the Subject between leasing activity for each successive apartment complex. These breather periods of lesser annual absorption levels can be seen in the chart below. This schedule leads to a reasonable capture level (see capture analysis later in this report) while still having leasing activity at the Subject in every year from 2024 to the completion of the Subject multi-family high density units by the middle of 2033. The chart below illustrates this scenario. The table on the next page details sales of multi-family lots to apartment builders and absorption to renters on a quarterly basis.

Rental Build-Out Annually – Scenario 1



Subject Build Out

Quarterly Apartment Lot Sales and Absorption – Scenario 1

PRODUCT	Leases / Mo.	Total	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Q1 '26	Q2 '26	Q3 '26	Q4 '26	Q1 '27	Q2 '27	Q3 '27	Q4 '27
HDR-6 Lot Sale		232						232																		
HDR-6 Market Abs.	15.0	232											45	45	45	45	40									
HDR-7 Lot Sale		187															187									
HDR-7 Market Abs.	15.0	187																				45	45	45	43	
HDR-8 Lot Sale		159																						159		
HDR-8 Market Abs.	15.0	159																								
HDR-9 Lot Sale		217																								
HDR-9 Market Abs.	15.0	217																								
HDR-10 Lot Sale		232																								
HDR-10 Market Abs.	15.0	232																								
MU-1 Lot Sale		125												125												
MU-1 Market Abs.	8.0	125																	24	24	24	24	23			
Totals - Lot Sales		**1,152**	**0**	**0**	**0**	**0**	**0**	**232**	**0**	**0**	**0**	**0**	**0**	**125**	**0**	**0**	**187**	**0**	**0**	**0**	**0**	**0**	**0**	**159**	**0**	**0**
Totals - Market Absorption		**1,152**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**45**	**45**	**45**	**45**	**40**	**0**	**24**	**24**	**24**	**69**	**68**	**45**	**43**	**0**

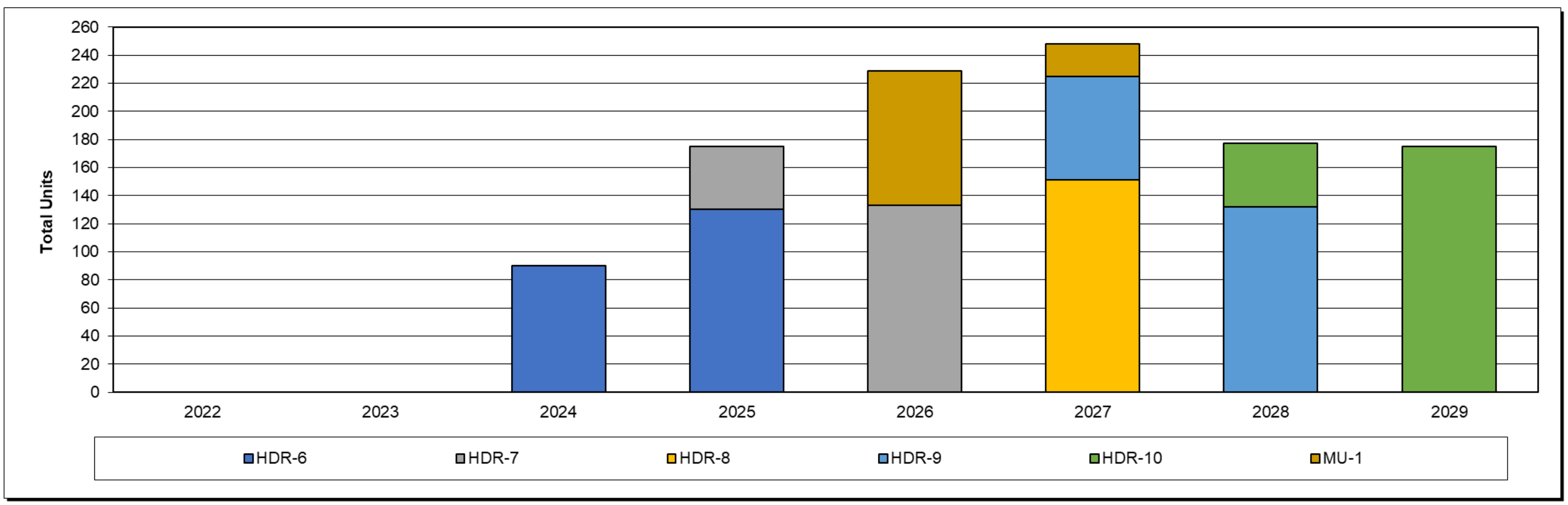
PRODUCT	Leases / Mo.	Total	Q1 '28	Q2 '28	Q3 '28	Q4 '28	Q1 '29	Q2 '29	Q3 '29	Q4 '29	Q1 '30	Q2 '30	Q3 '30	Q4 '30	Q1 '31	Q2 '31	Q3 '31	Q4 '31	Q1 '32	Q2 '32	Q3 '32	Q4 '32	Q1 '33	Q2 '33	Q3 '33	Q4 '33
HDR-6 Lot Sale		232																								
HDR-6 Market Abs.	15.0	232																								
HDR-7 Lot Sale		187																								
HDR-7 Market Abs.	15.0	187																								
HDR-8 Lot Sale		159																								
HDR-8 Market Abs.	15.0	159			45	45	45	16																		
HDR-9 Lot Sale		217					217																			
HDR-9 Market Abs.	15.0	217										45	45	45	45	26										
HDR-10 Lot Sale		232														232										
HDR-10 Market Abs.	15.0	232																		45	45	45	45	40		
MU-1 Lot Sale		125												125												
MU-1 Market Abs.	8.0	125																	24	24	24	24	23			
Totals - Lot Sales		**1,152**	**0**	**0**	**0**	**0**	**217**	**0**	**0**	**0**	**0**	**0**	**0**	**125**	**0**	**232**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Totals - Market Absorption		**1,152**	**0**	**0**	**45**	**45**	**45**	**16**	**0**	**0**	**0**	**45**	**45**	**45**	**45**	**26**	**0**	**0**	**24**	**69**	**69**	**69**	**68**	**40**	**0**	**0**

Subject Build Out

Build Out Scenario – For-Rent Scenario 2

- The build-out scenario shown below assumes the sale of HDR parcels timed to have leasing activity at the Subject with no "breather" between the end of leasing of one complex and the beginning of the next. The MU-1 parcel sale would be in Q4 2024 per Developer. This timing translates into continuous leasing activity annually at the Subject at a consistent level of at or near 180 units per year for apartments. Total rental absorption surpasses 220 in 2026 and peaks at about 240 in 2027 with the MU-1 BFR units. BFR renters are largely separate from the apartment renter pool, however, and have more in common demographically with for-sale buyers. This makes the +/- 180 apartment unit absorptions more relevant to gauging capture levels. Still, we have delayed the market introduction of HDR-8 one quarter to decrease total rental absorption in 2026.
- The tighter apartment introduction schedule leads to higher capture levels of relevant multi-family market size measures than does Scenario 1. These capture levels, while achievable, would result in a somewhat riskier timeline since slower market periods would more easily disrupt this schedule than the more conservative Scenario 1. The added risk is due to the potential for a market downturn during this absorption period delaying the market introduction of one or more apartment complex, and thus extending the schedule seen below. Should the market maintain its current strength this schedule is achievable. This schedule would result in the leasing of all Subject rental units by late 2029.
- The chart below displays the Scenario 2 build out graphically while the table on the next page displays the detailed lot sales and absorption of Scenario 2 on a quarterly basis.

Rental Build-Out Annually – Scenario 2



Subject Build Out

Quarterly Apartment Lot Sales and Absorption – Scenario 2

PRODUCT	Leases / Mo.	Total	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25
HDR-6 Lot Sale		232						232										
HDR-6 Market Abs.	15.0	232											45	45	45	45	40	
HDR-7 Lot Sale		187											187					
HDR-7 Market Abs.	15.0	187																45
HDR-8 Lot Sale		159															159	
HDR-8 Market Abs.	15.0	159																
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HDR-9 Market Abs.	15.0	217																
HDR-10 Lot Sale		232																
HDR-10 Market Abs.	15.0	232																
MU-1 Lot Sale		125												125				
MU-1 Market Abs.	8.0	125																
Totals - Lot Sales		**1,152**	**0**	**0**	**0**	**0**	**0**	**232**	**0**	**0**	**0**	**0**	**187**	**125**	**0**	**0**	**159**	**0**
Totals - Market Absorption		**1,152**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**45**	**45**	**45**	**45**	**40**	**45**

PRODUCT	Leases / Mo.	Total	Q1 '26	Q2 '26	Q3 '26	Q4 '26	Q1 '27	Q2 '27	Q3 '27	Q4 '27	Q1 '28	Q2 '28	Q3 '28	Q4 '28	Q1 '29	Q2 '29	Q3 '29	Q4 '29
HDR-6 Lot Sale		232																
HDR-6 Market Abs.	15.0	232																
HDR-7 Lot Sale		187																
HDR-7 Market Abs.	15.0	187	45	45	43													
HDR-8 Lot Sale		159																
HDR-8 Market Abs.	15.0	159					45	45	45	16								
HDR-9 Lot Sale		217		217														
HDR-9 Market Abs.	15.0	217							29	45	45	45	42					
HDR-10 Lot Sale		232							232									
HDR-10 Market Abs.	15.0	232												45	45	45	45	40
MU-1 Lot Sale		125																
MU-1 Market Abs.	8.0	125	24	24	24	24	23											
Totals - Lot Sales		**1,152**	**0**	**217**	**0**	**0**	**0**	**0**	**232**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Totals - Market Absorption		**1,152**	**69**	**69**	**67**	**24**	**68**	**45**	**74**	**61**	**45**	**45**	**42**	**45**	**45**	**45**	**45**	**40**

Market Capture

Capture Analysis – For-Sale

- The table below shows the percent of the relevant market the Subject could capture assuming the sales numbers shown previously. Even at the level of city-wide SFR permit activity, the Subject would require capture rates of at most 11% at peak. Other measures yield lower necessary capture rates. These capture rates appear achievable, particularly considering typically limited city-wide new for-sale residential activity (e.g., only Natomas a consistent major supply node). The developer may consider staggering the introductions of MDR-6 or MDR-7 given the product similarities of these two neighborhoods, but the cumulative community-absorption is achievable.

Subject Build Out and Capture - For-Sale

	Total	2022	2023	2024	2025
SUBJECT TOTALS	421	60	154	149	58

Annual Market Capture Rate

% Capture of:

	2022	2023	2024	2025
Annual New Home Sales - County	3%	7%	7%	3%
Annual New Home Sales - MSA	1%	3%	3%	1%
Annual SFR Permits - Sacramento City	4%	11%	11%	4%
Annual SFR Permits - Sacramento County	1%	3%	3%	1%

Capture Analysis – For-Rent

- The table below shows the Scenario 1 absorption schedule for the Subject's rental component that assumes the sale of each multi-family lot at the completion of leasing activity for the previous apartment complex at the Subject. That is, this timeline includes a significant "breather" between Subject apartment leasing activity. As noted above, absorption of the MU- BFR community would largely be from a separate renter pool and is set to a very achievable eight leases per month. Even including BFR units would require a Subject market capture rate of between 4%-10% county-wide and 3%-6% MSA-wide). That appears to be an achievable market capture rate and would be conservative in lower capture years given roughly normal market conditions.

Subject Build Out and Capture - For-Rent Scenario 1

	Total	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
SUBJECT TOTAL ANNUAL ABSORPTION	1,027	0	0	90	130	141	156	90	61	135	71	231	108

Annual Market Capture Rate

% Capture of:

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Annaul MFR Permits - Sacramento City	0%	0%	11%	15%	17%	18%	11%	7%	16%	8%	27%	13%
Annaul MFR Permits - Sacramento County	0%	0%	6%	8%	9%	10%	6%	4%	9%	5%	15%	7%
Annaul MFR Permits - Sacramento MSA	0%	0%	4%	5%	6%	6%	4%	3%	6%	3%	10%	4%

Market Capture

Capture Analysis – For-Rent continued

- The Scenario 2 Subject rental absorption schedule would require higher capture figures than in Scenario 1. In this scenario, the peak level of absorption rises to 16% of the county-wide estimate at peak (2027). Since there are no breather periods, this absorption level is then sustained through 2029 for a roughly 5.5-year build-out. Note that this figure falls to 11% of the county-wide market size estimate when including only apartment units (i.e., excluding BFR units). These higher absorption levels combine with the lack of breather periods between leasing activity to make for a riskier scenario. As noted on page 30, this added risk is true in the sense that this consistency means market corrections would more likely disrupt the market timing of successive Subject rental developments compared to the more conservative Scenario 1.
- Though Scenario 2 would require higher market capture shares than Scenario 1, this schedule would not be unreasonable if market conditions remain clearly positive for this 5.5-year period. For instance, at a Subject capture rate of 11% of county market size for apartments only translates into the Subject as one of nine actively leasing market-rate apartment complexes county-wide. That is not an unreasonable figure depending on how many actual apartment developments there are in the county in this period (second half of 2024 through 2029). The Subject townhomes as a BFR community would largely compete against other BFR communities, most of them detached and really part of SFR market. We have included them in the rental portion of this analysis since the MU-1 parcel will be a rental community, but we believe to include them in our assessment of the achievability of the Subject's apartment market capture would be misleading.
- **In sum, then, we believe the absorption levels in Scenario 2 are achievable given approximately normal to strong rental market conditions in the region. However, they are somewhat riskier since this schedule is more likely to be disrupted by any weakening of market conditions during the Subject marketing period.**

Subject Build Out and Capture - For-Rent Scenario 2

	Total	2022	2023	2024	2025	2026	2027	2028	2029
SUBJECT TOTAL ANNUAL ABSORPTION	1,027	0	0	90	175	229	248	177	175

Annual Market Capture Rate

% Capture of:

		2022	2023	2024	2025	2026	2027	2028	2029
Annaul MFR Permits - Sacramento City		0%	0%	11%	21%	27%	29%	21%	21%
Annual MFR Permits - Sacramento County		0%	0%	6%	11%	15%	16%	11%	11%
Annual MFR Permits - Sacramento MSA		0%	0%	4%	7%	9%	10%	7%	7%

FOR-SALE MARKET ANALYSIS

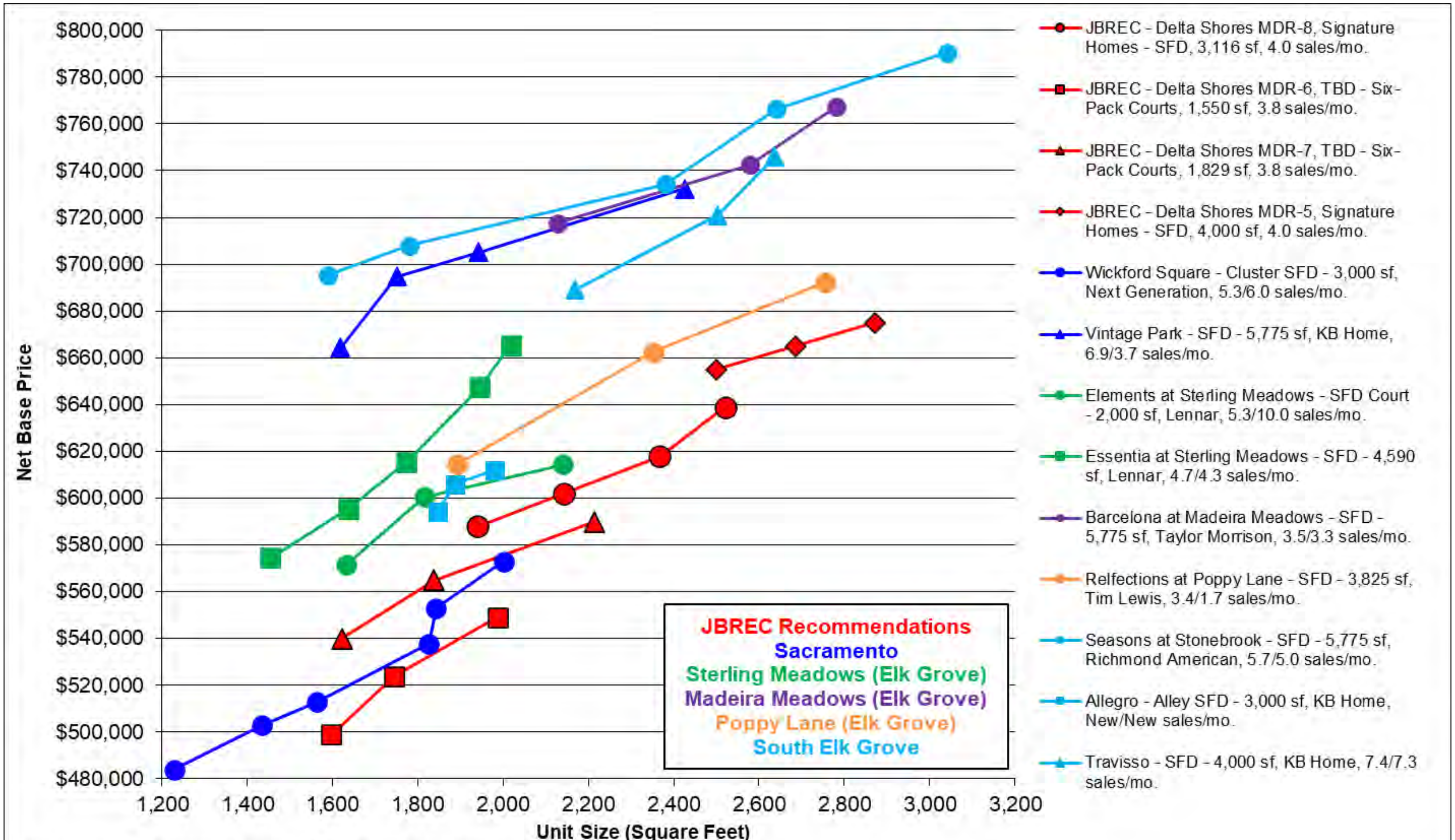
Location of Subject & New Home Comparables

New Home Comparables Summary

Community	Builder	City	Product	SIZE (SF)		ABSORPTION		AVG. INCENTIVE		AVG. OPTION EXP.		AVG. PREM.		PRICING SUMMARY		
				Min. Lot	Avg. Unit	Overall	L3M	Total	% Base	Total	% Base	Total	% Base	Base Price	Total Price	Total $/SF
Delta Shores MDR-8	Signature Homes	Sacramento	SFD	3,116	2,247	4.0	N/A	$0	0.0%	$18,374	3.0%	$0	0.0%	$612,463	$630,837	$281
Delta Shores MDR-6	TBD	Sacramento	Six-Pack Cou	1,550	1,779	3.8	N/A	$0	0.0%	$15,720	3.0%	$0	0.0%	$524,000	$539,720	$303
Delta Shores MDR-7	TBD	Sacramento	Six-Pack Cou	1,829	1,883	3.8	N/A	$0	0.0%	$16,927	3.0%	$0	0.0%	$564,219	$581,145	$309
Delta Shores MDR-5	Signature Homes	Sacramento	SFD	4,000	2,700	4.0	N/A	$0	0.0%	$19,974	3.0%	$0	0.0%	$665,805	$685,779	$254
Delta Shores Townhomes	TBD	Sacramento	Row Towns	2-Story THs	1,552	4.0	N/A	$0	0.0%	$15,406	3.5%	$0	0.0%	$440,160	$455,566	$294
Wickford Square	Next Generation	Sacramento	Cluster SFD	3,000	1,649	5.3	6.0	($2,000)	-0.4%	$12,500	2.4%	$0	0.0%	$529,244	$539,744	$327
Vintage Park	KB Home	Sacramento	SFD	5,775	1,935	6.9	3.7	($5,000)	-0.7%	$0	0.0%	$0	0.0%	$704,143	$699,143	$361
Elements at Sterling Meadows	Lennar	Elk Grove	SFD Court	2,000	1,862	5.3	10.0	($1,500)	-0.3%	$16,000	2.7%	$6,000	1.0%	$596,990	$617,490	$332
Essentia at Sterling Meadows	Lennar	Elk Grove	SFD	4,590	1,766	4.7	4.3	($1,500)	-0.2%	$16,000	2.6%	$6,000	1.0%	$621,190	$641,690	$363
Barcelona at Madeira Meadows	Taylor Morrison	Elk Grove	SFD	5,775	2,496	3.5	3.3	($3,500)	-0.5%	$50,000	6.7%	$45,000	6.0%	$745,990	$837,490	$336
Relfections at Poppy Lane	Tim Lewis	Elk Grove	SFD	3,825	2,333	3.4	1.7	($5,000)	-0.8%	$45,000	6.8%	$3,500	0.5%	$661,400	$704,900	$302
Seasons at Stonebrook	Richmond American	Elk Grove	SFD	5,775	2,286	5.7	5.0	($22,853)	-3.0%	$30,470	4.0%	$13,000	1.7%	$761,750	$782,368	$342
Allegro	KB Home	Elk Grove	Alley SFD	3,000	1,905	New	New	($5,000)	-0.8%	$35,000	5.7%	$10,000	1.6%	$608,990	$648,990	$341
Travisso	KB Home	Elk Grove	SFD	4,000	2,436	7.4	7.3	($5,000)	-0.7%	$45,000	6.2%	$10,000	1.4%	$723,657	$773,657	$318
COMPARABLE AVERAGE				**4,193**	**2,074**	**5.3**	**5.2**	**($5,706)**	**-0.9%**	**$27,774**	**4.2%**	**$10,389**	**1.6%**	**$661,484**	**$693,941**	**$335**
COMPARABLE MEDIAN				**4,000**	**1,935**	**5.3**	**4.7**	**($5,000)**	**-0.7%**	**$30,470**	**4.0%**	**$6,000**	**1.0%**	**$661,400**	**$699,143**	**$336**

Net Base Price Comparison

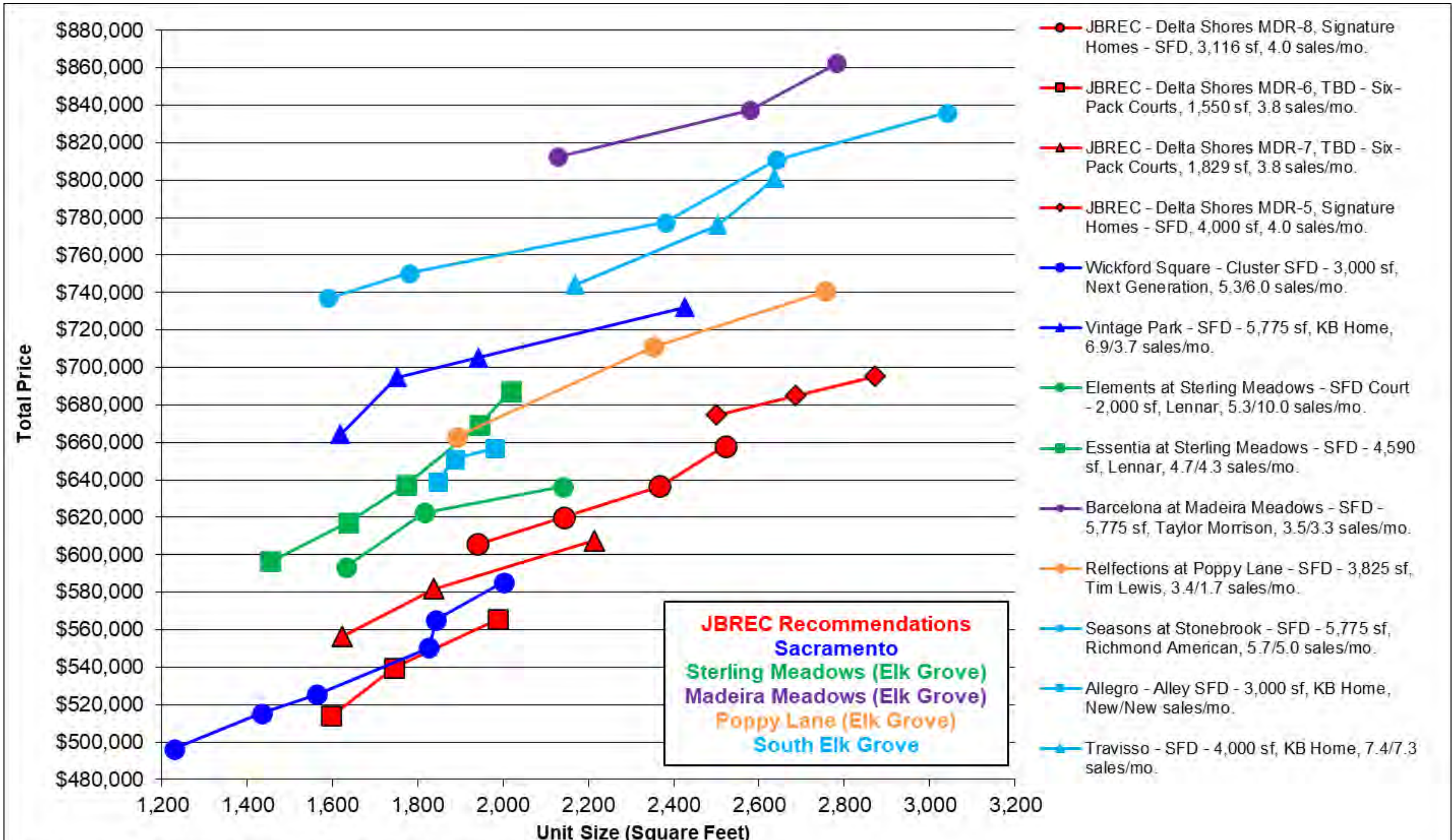
The chart below displays the Subject's proposed pricing against all new home comparables on a net base price basis. Subject products are also positioned near the bottom of the market. The Subject will benefit from a master planned community setting, but this factor is offset by inferior schools, the adjacent residential environments, and an inferior address relative to Elk Grove.



Source: JBREC, Community Sales Offices; Absorption = Historical/3 Month

Total Price Comparison

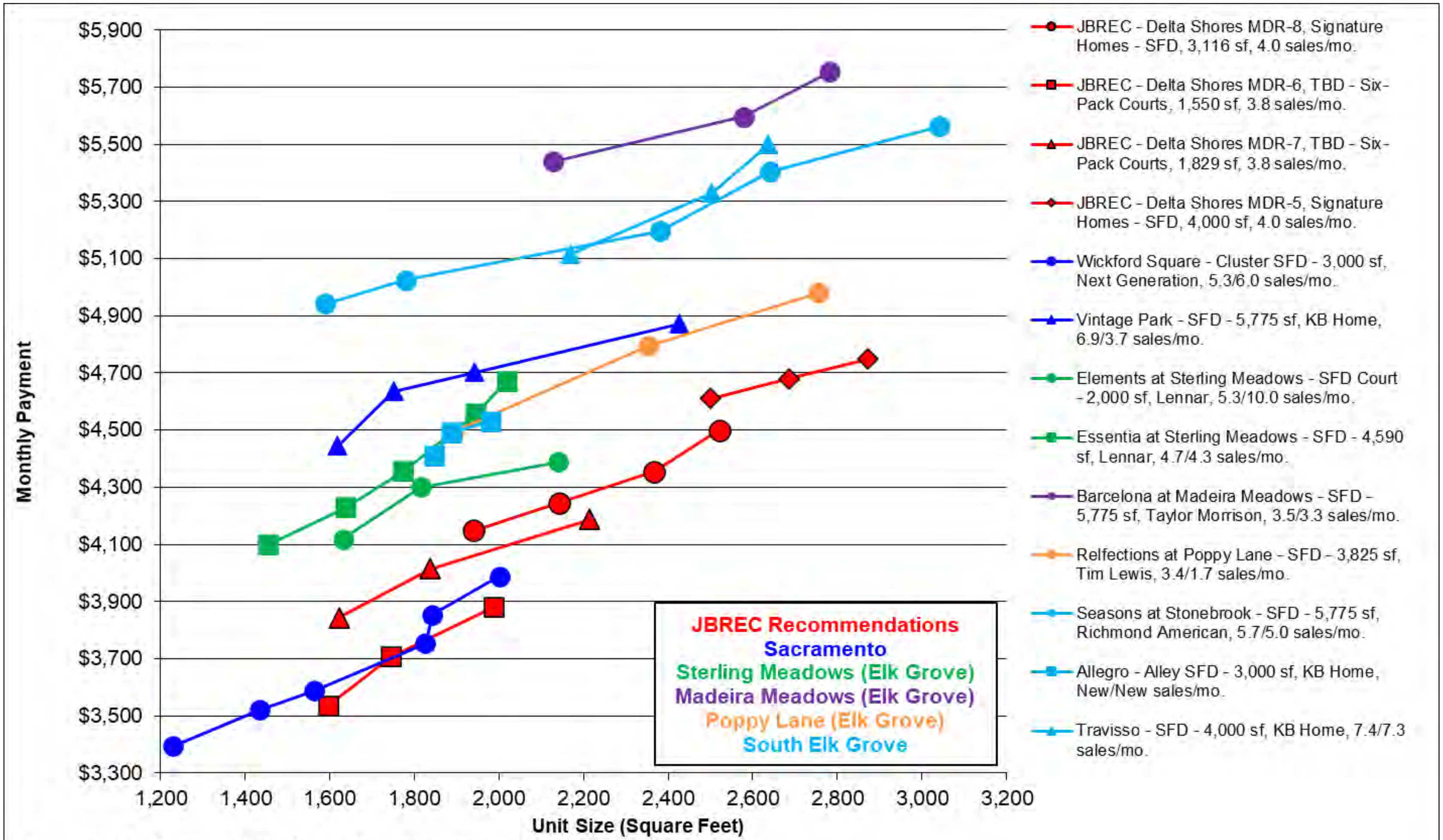
On a total price comparison (base price + options + premiums - incentives) Subject price positioning is generally similar to its net base price positioning.



Source: JBREC, Community Sales Offices; Absorption = Historical/3 Month

Total Monthly Payment Comparison

The Subject's positioning remains similar to new home comparables when total prices are translated to monthly payments. Changes in Subject HOA and total tax rate (1.55%) will impact our recommendations up or down.



Source: JBREC, Community Sales Offices; Absorption = Historical/3 Month

New Home Comparables Detail

Comp Name / Builder	MIX	PRODUCT: Sq. Ft.	Plan Configuration: Bed	Bath	Other	Level	Pkg	TAX & HOA: Tax Rate	Add'l Taxes	HOA	PRICING SUMMARY: Base Price	Incentive: Closing Costs	Incentive: Other	Incentive: Total	Net Base Price	Net Base Price/ Sq. Ft.	Options	Premiums	Total Price	Total Price/ Sq. Ft.	90% 5.00% Net Pmt.	31% Income to Qualify
WICKFORD SQUARE																						
Wickford Square — **Next Generation**	1	1,229	3	3.0		2	1	1.55%	$0	$75	$485,964	($2,000)	$0	($2,000)	$483,964	$394	$12,500	$0	$496,464	$404	$3,394	$131,000
City: Sacramento	1	1,434	3	2.5		2	2T	1.55%	$0	$75	$504,900	($2,000)	$0	($2,000)	$502,900	$351	$12,500	$0	$515,400	$359	$3,521	$136,000
Product: Cluster SFD; Total Units: 56	1	1,562	3	2.5		2	2T	1.55%	$0	$75	$514,900	($2,000)	$0	($2,000)	$512,900	$328	$12,500	$0	$525,400	$336	$3,588	$139,000
Min. Lot Size: 3,000; Units Sold: 42	1	1,826	3	2.5		2	2T	1.55%	$0	$75	$539,900	($2,000)	$0	($2,000)	$537,900	$295	$12,500	$0	$550,400	$301	$3,755	$145,000
Lot Dimensions: N/A; 3 Mon. Sold: 18	1	1,843	4	2.5		2	2	1.55%	$0	$75	$554,900	($2,000)	$0	($2,000)	$552,900	$300	$12,500	$0	$565,400	$307	$3,855	$149,000
% Remaining: 25%; Units Remaining: 14	1	2,001	4	2.5		2	2	1.55%	$0	$75	$574,900	($2,000)	$0	($2,000)	$572,900	$286	$12,500	$0	$585,400	$293	$3,989	$154,000
Sales Open Date: Aug-21; Overall Sales Rate: 5.3																						
3 Mon. Sales Rate: 6.0																						
Note: Tax rate estimated. Most lots have no premium.																						
Totals/Averages:		1,649									$529,244	($2,000)	$0	($2,000)	$527,244	$320	$12,500	$0	$539,744	$327	$3,683	$142,333
VINTAGE PARK																						
Vintage Park — **KB Home**	1	1,619	3	2.0		1	2	1.06%	$3,300	$0	$669,447	($5,000)	$0	($5,000)	$664,447	$410	$0	$0	$664,447	$410	$4,446	$172,000
City: Sacramento	1	1,751	3	2.0		1	2	1.06%	$3,300	$0	$699,677	($5,000)	$0	($5,000)	$694,677	$397	$0	$0	$694,677	$397	$4,636	$179,000
Product: SFD; Total Units: 81	1	1,943	3	2.0		1	2	1.06%	$3,300	$0	$710,243	($5,000)	$0	($5,000)	$705,243	$363	$0	$0	$705,243	$363	$4,702	$182,000
Min. Lot Size: 5,775; Units Sold: 73	1	2,426	3	2.5	Den	2	2	1.06%	$3,300	$0	$737,204	($5,000)	$0	($5,000)	$732,204	$302	$0	$0	$732,204	$302	$4,871	$189,000
Lot Dimensions: 55' x 105'; 3 Mon. Sold: 11																						
% Remaining: 10%; Units Remaining: 8																						
Sales Open Date: Jun-21; Overall Sales Rate: 6.9																						
3 Mon. Sales Rate: 3.7																						
Note: Prices above include options, premiums, and solar.																						
Totals/Averages:		1,935									$704,143	($5,000)	$0	($5,000)	$699,143	$361	$0	$0	$699,143	$361	$4,664	$180,500
ELEMENTS AT STERLING MEADOWS																						
Elements at Sterling Meadows — **Lennar**	1	1,632	3	2.5		2	2	1.06%	$3,600	$94	$572,990	($1,500)	$0	($1,500)	$571,490	$350	$16,000	$6,000	$593,490	$364	$4,118	$159,000
City: Elk Grove	1	1,815	3	2.5		2	2	1.06%	$3,600	$94	$601,990	($1,500)	$0	($1,500)	$600,490	$331	$16,000	$6,000	$622,490	$343	$4,300	$166,000
Product: SFD Court; Total Units: 289	1	2,140	5	3.0		2	2	1.06%	$3,600	$94	$615,990	($1,500)	$0	($1,500)	$614,490	$287	$16,000	$6,000	$636,490	$297	$4,388	$170,000
Min. Lot Size: 2,000; Units Sold: 233																						
Lot Dimensions: 40' x 50'; 3 Mon. Sold: 30																						
% Remaining: 19%; Units Remaining: 56																						
Sales Open Date: Sep-18; Overall Sales Rate: 5.3																						
3 Mon. Sales Rate: 10.0																						
Note: Base prices, incentives, options, and premiums from March 2022 survey.																						
Totals/Averages:		1,862									$596,990	($1,500)	$0	($1,500)	$595,490	$320	$16,000	$6,000	$617,490	$332	$4,269	$165,000
ESSENTIA AT STERLING MEADOWS																						
Essentia at Sterling Meadows — **Lennar**	1	1,454	3	2.5		2	2	1.06%	$4,272	$0	$575,990	($1,500)	$0	($1,500)	$574,490	$395	$16,000	$6,000	$596,490	$410	$4,099	$159,000
City: Elk Grove	1	1,638	3	2.5		2	2	1.06%	$4,272	$0	$596,990	($1,500)	$0	($1,500)	$595,490	$364	$16,000	$6,000	$617,490	$377	$4,231	$164,000
Product: SFD; Total Units: 139	1	1,774	3	2.5		2	2	1.06%	$4,272	$0	$616,990	($1,500)	$0	($1,500)	$615,490	$347	$16,000	$6,000	$637,490	$359	$4,356	$169,000
Min. Lot Size: 4,590; Units Sold: 81	1	1,945	4	2.5		2	2	1.06%	$4,272	$0	$648,990	($1,500)	$0	($1,500)	$647,490	$333	$16,000	$6,000	$669,490	$344	$4,557	$176,000
Lot Dimensions: 45' x 102'; 3 Mon. Sold: 13	1	2,018	4	3.0		2	2	1.06%	$4,272	$0	$666,990	($1,500)	$0	($1,500)	$665,490	$330	$16,000	$6,000	$687,490	$341	$4,670	$181,000
% Remaining: 42%; Units Remaining: 58																						
Sales Open Date: Nov-20; Overall Sales Rate: 4.7																						
3 Mon. Sales Rate: 4.3																						
Note: Base prices from March 2022 survey. Options and premium estimated given market norms, builder norms, and product type.																						
Totals/Averages:		1,766									$621,190	($1,500)	$0	($1,500)	$619,690	$351	$16,000	$6,000	$641,690	$363	$4,383	$169,800

New Home Comparables Detail

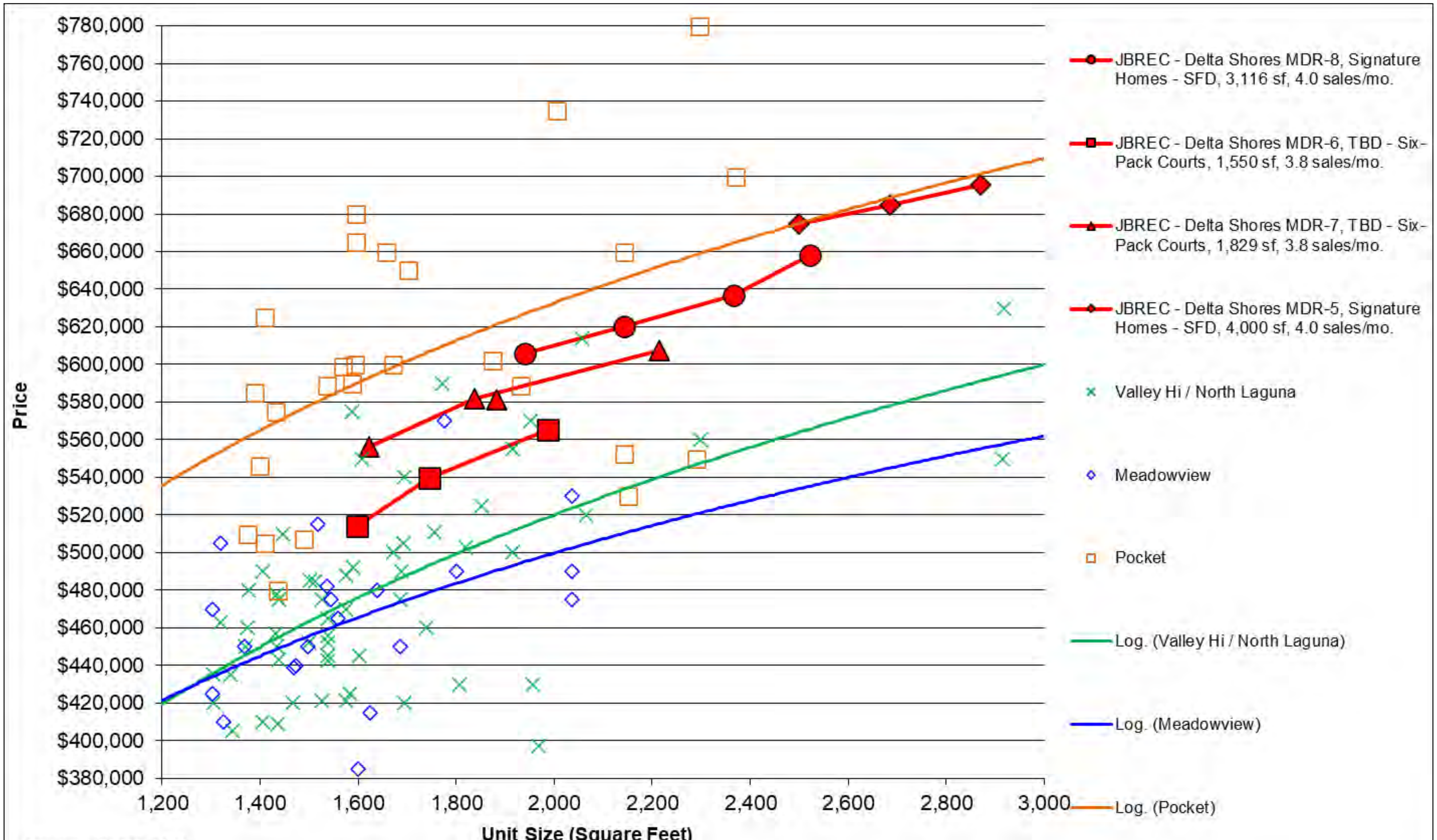
Comp Name	Builder	MIX	Sq. Ft.	Bed	Bath	Other	Level	Pkg	Tax Rate	Add'l Taxes	HOA	Base Price	Incentive: Closing Costs	Incentive: Other	Incentive: Total	Net Base Price	Net Base Price/ Sq. Ft.	Options	Premiums	Total Price	Total Price/ Sq. Ft.	90% 5.00% Net Pmt.	31% Income to Qualify
BARCELONA AT MADEIRA MEADOWS																							
Barcelona at Madeira Meadows	**Taylor Morrison**	1	2,127	3	3.0		1	2	1.06%	$4,080	$0	$720,990	($3,500)	$0	($3,500)	$717,490	$337	$50,000	$45,000	$812,490	$382	$5,440	$211,000
City: Elk Grove		1	2,578	4	3.0		2	2	1.06%	$4,080	$0	$745,990	($3,500)	$0	($3,500)	$742,490	$288	$50,000	$45,000	$837,490	$325	$5,597	$217,000
Product: SFD	Total Units: 108	1	2,782	4	3.5		2	2	1.06%	$4,080	$0	$770,990	($3,500)	$0	($3,500)	$767,490	$276	$50,000	$45,000	$862,490	$310	$5,754	$223,000
Min. Lot Size: 5,775	Units Sold: 107																						
Lot Dimensions: 55' x 105'	3 Mon. Sold: 10																						
% Remaining 1%	Units Remaining: 1																						
Sales Open Date: Nov-19	Overall Sales Rate: 3.5																						
	3 Mon. Sales Rate: 3.3																						
Note: Lots w/o premium conditions have premium of $35K.																							
	Totals/Averages:		2,496									$745,990	($3,500)	$0	($3,500)	$742,490	$298	$50,000	$45,000	$837,490	$336	$5,597	$217,000
RELFECTIONS AT POPPY LANE																							
Relfections at Poppy Lane	**Tim Lewis**	1	1,891	3	3.0		2	2	1.06%	$3,972	$0	$619,400	($1,000)	($4,000)	($5,000)	$614,400	$325	$45,000	$3,500	$662,900	$351	$4,492	$174,000
City: Elk Grove		1	2,352	4	3.0		2	2	1.06%	$3,972	$0	$667,400	($1,000)	($4,000)	($5,000)	$662,400	$282	$45,000	$3,500	$710,900	$302	$4,793	$186,000
Product: SFD	Total Units: 73	1	2,755	4	3.0	Loft	2	2	1.06%	$3,972	$0	$697,400	($1,000)	($4,000)	($5,000)	$692,400	$251	$45,000	$3,500	$740,900	$269	$4,982	$193,000
Min. Lot Size: 3,825	Units Sold: 36																						
Lot Dimensions: 45' x 85'	3 Mon. Sold: 5																						
% Remaining 51%	Units Remaining: 37																						
Sales Open Date: Jun-21	Overall Sales Rate: 3.4																						
	3 Mon. Sales Rate: 1.7																						
	Totals/Averages:		2,333									$661,400	($1,000)	($4,000)	($5,000)	$656,400	$281	$45,000	$3,500	$704,900	$302	$4,756	$184,333
SEASONS AT STONEBROOK																							
Seasons at Stonebrook	**Richmond American**	1	1,590	3	2.0		1	2	1.06%	$3,784	$0	$716,950	($21,509)	$0	($21,509)	$695,442	$437	$28,678	$13,000	$737,120	$464	$4,942	$191,000
City: Elk Grove		1	1,780	3	2.0	Study	1	2	1.06%	$3,784	$0	$729,950	($21,899)	$0	($21,899)	$708,052	$398	$29,198	$13,000	$750,250	$421	$5,025	$195,000
Product: SFD	Total Units: 102	1	2,380	3	2.5	Sty/Lft	2	2	1.06%	$3,784	$0	$756,950	($22,709)	$0	($22,709)	$734,242	$309	$30,278	$13,000	$777,520	$327	$5,196	$201,000
Min. Lot Size: 5,775	Units Sold: 55	1	2,640	4	2.5	Sty/Lft	2	2	1.06%	$3,784	$0	$789,950	($23,699)	$0	($23,699)	$766,252	$290	$31,598	$13,000	$810,850	$307	$5,405	$209,000
Lot Dimensions: 55' x 105'	3 Mon. Sold: 15	1	3,040	4	2.5	Sty/Flx/Lft	2	2	1.06%	$3,784	$0	$814,950	($24,449)	$0	($24,449)	$790,502	$260	$32,598	$13,000	$836,100	$275	$5,564	$215,000
% Remaining 46%	Units Remaining: 47																						
Sales Open Date: Jun-21	Overall Sales Rate: 5.7																						
	3 Mon. Sales Rate: 5.0																						
Note: Lots w/o premium condition have premium of $8K.																							
	Totals/Averages:		2,286									$761,750	($22,853)	$0	($22,853)	$738,898	$323	$30,470	$13,000	$782,368	$342	$5,226	$202,200
ALLEGRO																							
Allegro	**KB Home**	1	1,846	3	2.5	Loft	2	2	1.60%	$0	$111	$598,990	($5,000)	$0	($5,000)	$593,990	$322	$35,000	$10,000	$638,990	$346	$4,410	$171,000
City: Elk Grove		1	1,887	3	2.5	Loft	2	2	1.60%	$0	$111	$610,990	($5,000)	$0	($5,000)	$605,990	$321	$35,000	$10,000	$650,990	$345	$4,490	$174,000
Product: Alley SFD	Total Units: 72	1	1,981	3	2.5		2	2	1.60%	$0	$111	$616,990	($5,000)	$0	($5,000)	$611,990	$309	$35,000	$10,000	$656,990	$332	$4,531	$175,000
Min. Lot Size: 3,000 SqFt	Units Sold: 21																						
Lot Dimensions: 40' x 75'	3 Mon. Sold: 21																						
% Remaining 71%	Units Remaining: 51																						
Sales Open Date: Feb-22	Overall Sales Rate: New																						
	3 Mon. Sales Rate: New																						
Note: Sales open date estimated. All lots have premium. Lots w/o premium condition have premium as low as $5K.																							
	Totals/Averages:		1,905									$608,990	($5,000)	$0	($5,000)	$603,990	$317	$35,000	$10,000	$648,990	$341	$4,477	$173,333

New Home Comparables Detail

Comp Name	Builder	MIX	PRODUCT: Sq. Ft.	Plan Configuration: Bed	Bath	Other	Level	Pkg	TAX & HOA: Tax Rate	Add'l Taxes	HOA	PRICING SUMMARY: Base Price	Incentive: Closing Costs	Incentive: Other	Incentive: Total	Net Base Price	Net Base Price/ Sq. Ft.	Options	Premiums	Total Price	Total Price/ Sq. Ft.	90% 5.00% Net Pmt.	31% Income to Qualify
TRAVISSO																							
Travisso	**KB Home**	1	2,168	3	2.5	Loft	2	2	1.60%	$0	$111	$693,990	($5,000)	$0	($5,000)	$688,990	$318	$45,000	$10,000	$743,990	$343	$5,116	$198,000
City: Elk Grove		1	2,503	3	2.5	Den	2	2	1.60%	$0	$111	$725,990	($5,000)	$0	($5,000)	$720,990	$288	$45,000	$10,000	$775,990	$310	$5,331	$206,000
Product: SFD; Total Units: 422		1	2,636	4	2.5	Flex	2	2	1.60%	$0	$111	$750,990	($5,000)	$0	($5,000)	$745,990	$283	$45,000	$10,000	$800,990	$304	$5,499	$213,000
Min. Lot Size: 4,000 SqFt; Units Sold: 23																							
Lot Dimensions: 40' x 100'; 3 Mon. Sold: 22																							
% Remaining: 95%; Units Remaining: 399																							
Sales Open Date: Jan-22; Overall Sales Rate: 7.4																							
3 Mon. Sales Rate: 7.3																							
Note: Sales open date estimated. All lots have premium. Lots w/o premium condition have premium as low as $5K.																							
Totals/Averages:			2,436									$723,657	($5,000)	$0	($5,000)	$718,657	$295	$45,000	$10,000	$773,657	$318	$5,316	$205,667

Subject Property v. Area Resales

Given the lack of direct new home competitors and Subject price points, the Subject will compete against resales. The Subject's for-sale product types can be positioned above resale transactions from the surrounding areas (Valley Hi / Laguna North to the east and Meadowview to the North) due to new construction and a superior masterplan setting. The Subject should be positioned below resales from the Pocket area despite these same advantages due to the superior address enjoyed by that neighborhood.

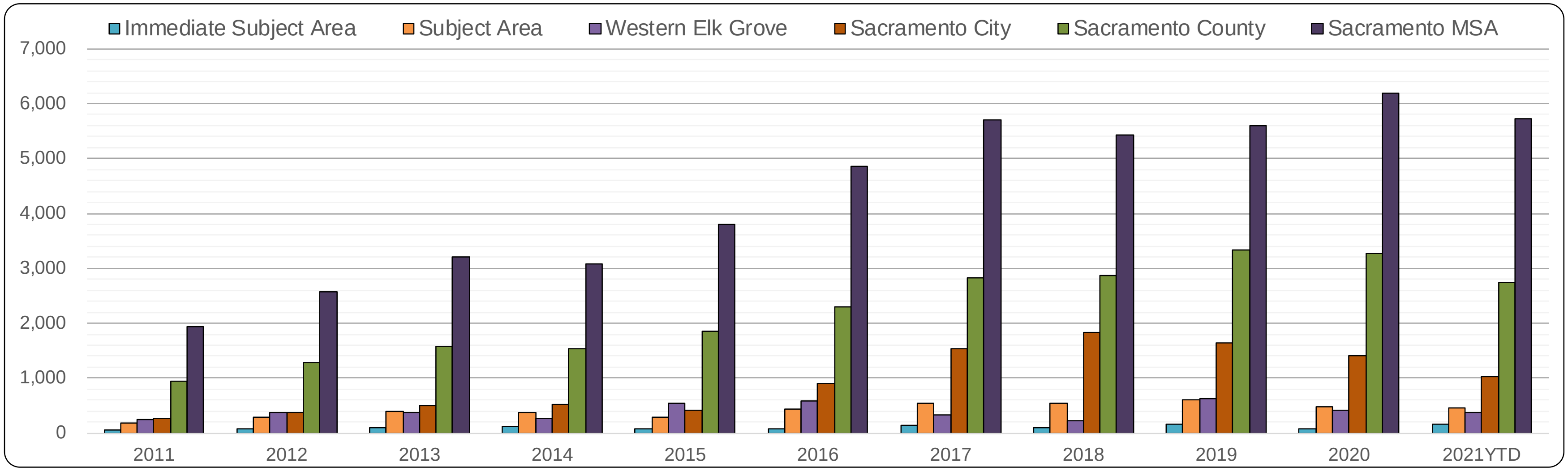


Source: JBREC, MLS

FOR-SALE MARKET TRENDS

New Home Sales

Below and on the next slides we examine regional and local housing data (per CoreLogic) for the MSA, county, city, and relevant areas proximate to the Subject. New home sales (which include both attached and detached) have generally increased since 2011, holding steady in 2020 despite the initial impact of the pandemic and likely to rise for full year 2021. Sales and prices fluctuate in the Immediate Subject Area due to market size.



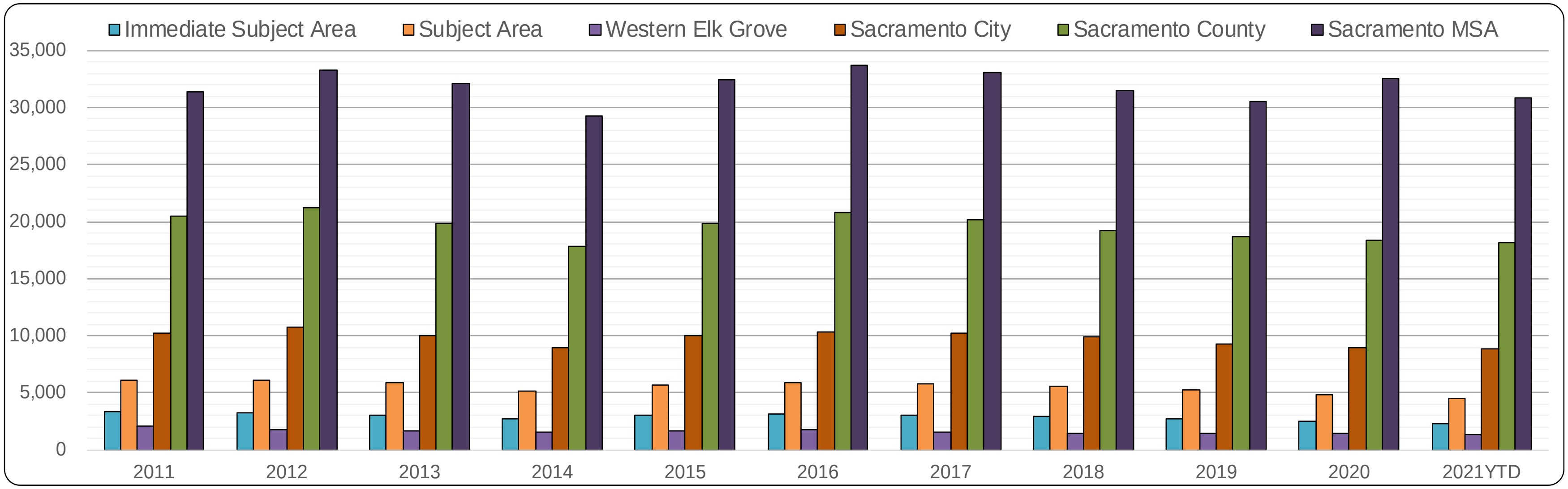
New Sales	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD	2020-21YTD %Ch
Immediate Subject Area	57	74	105	128	71	84	138	103	156	83	155	*87%*
Subject Area	189	280	399	370	283	428	547	537	606	480	453	*-6%*
Western Elk Grove	245	377	383	264	538	576	325	234	618	423	374	*-12%*
Sacramento City	258	373	509	529	412	897	1,543	1,832	1,647	1,408	1,038	*-26%*
Sacramento County	950	1,288	1,588	1,541	1,844	2,299	2,818	2,860	3,340	3,273	2,734	*-16%*
Sacramento MSA	1,934	2,563	3,202	3,084	3,806	4,862	5,706	5,425	5,592	6,192	5,730	*-7%*

% Change	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD	*12-'21YTD Avg*
Immediate Subject Area	--	30%	42%	22%	-45%	18%	64%	-25%	51%	-47%	87%	*20%*
Subject Area	--	48%	43%	-7%	-24%	51%	28%	-2%	13%	-21%	-6%	*12%*
Western Elk Grove	--	54%	2%	-31%	104%	7%	-44%	-28%	164%	-32%	-12%	*18%*
Sacramento City	--	45%	36%	4%	-22%	118%	72%	19%	-10%	-15%	-26%	*22%*
Sacramento County	--	36%	23%	-3%	20%	25%	23%	1%	17%	-2%	-16%	*12%*
Sacramento MSA	--	33%	25%	-4%	23%	28%	17%	-5%	3%	11%	-7%	*12%*

Source: CoreLogic. YTD as of Oct 2021

Existing Home Sales - Detached

Existing detached home sales offer a more reliable barometer of residential activity. Annual sales have fluctuated since 2011, but as with new sales, nearly maintained the strong level in 2020 despite COVID-19 and strong again this year. See maps later in this report that define Subject areas.

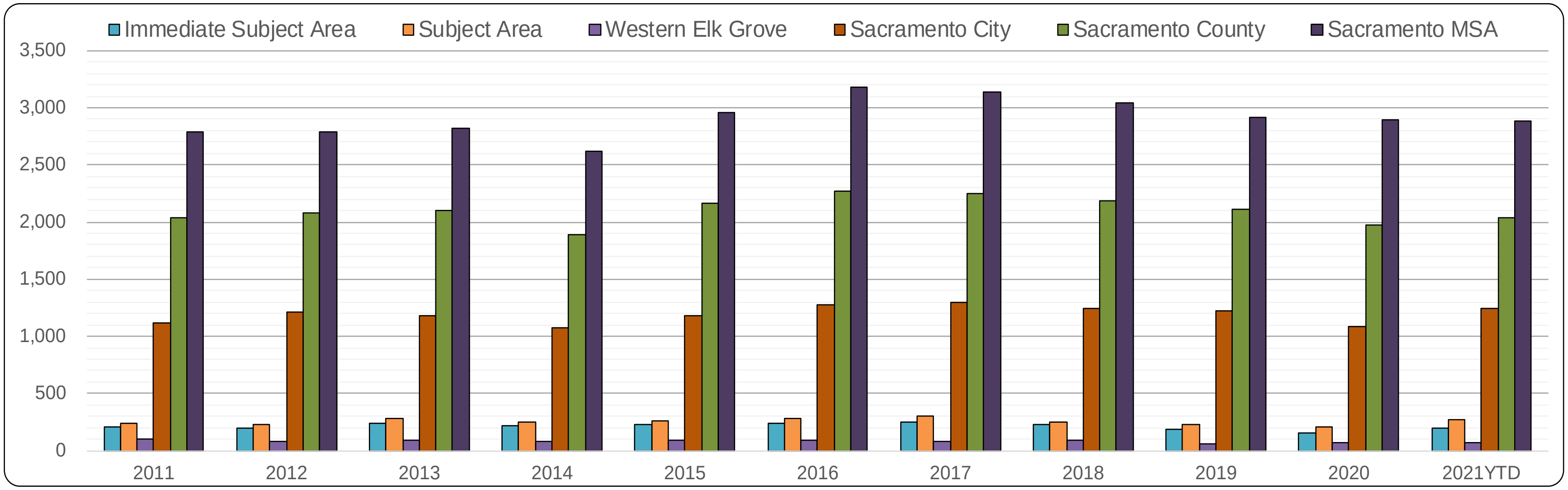


Detached Resales	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD	2020-21YTD %Ch
Immediate Subject Area	3,331	3,271	3,051	2,755	3,025	3,150	2,984	2,879	2,754	2,485	2,288	*-8%*
Subject Area	6,109	6,110	5,922	5,137	5,709	5,908	5,794	5,608	5,250	4,792	4,534	*-5%*
Western Elk Grove	2,027	1,787	1,704	1,502	1,659	1,802	1,553	1,485	1,436	1,415	1,304	*-8%*
Sacramento City	10,180	10,741	9,998	8,938	10,009	10,354	10,254	9,939	9,294	8,935	8,847	*-1%*
Sacramento County	20,442	21,257	19,817	17,848	19,871	20,790	20,218	19,266	18,648	18,363	18,104	*-1%*
Sacramento MSA	31,329	33,316	32,122	29,268	32,442	33,687	33,083	31,452	30,544	32,505	30,891	*-5%*

% Change	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD	*12-'21YTD Avg*
Immediate Subject Area	--	-2%	-7%	-10%	10%	4%	-5%	-4%	-4%	-10%	-8%	*-4%*
Subject Area	--	0%	-3%	-13%	11%	3%	-2%	-3%	-6%	-9%	-5%	*-3%*
Western Elk Grove	--	-12%	-5%	-12%	10%	9%	-14%	-4%	-3%	-1%	-8%	*-4%*
Sacramento City	--	6%	-7%	-11%	12%	3%	-1%	-3%	-6%	-4%	-1%	*-1%*
Sacramento County	--	4%	-7%	-10%	11%	5%	-3%	-5%	-3%	-2%	-1%	*-1%*
Sacramento MSA	--	6%	-4%	-9%	11%	4%	-2%	-5%	-3%	6%	-5%	*0%*

Source: CoreLogic. YTD as of Oct 2021

Existing Home Sales - Attached



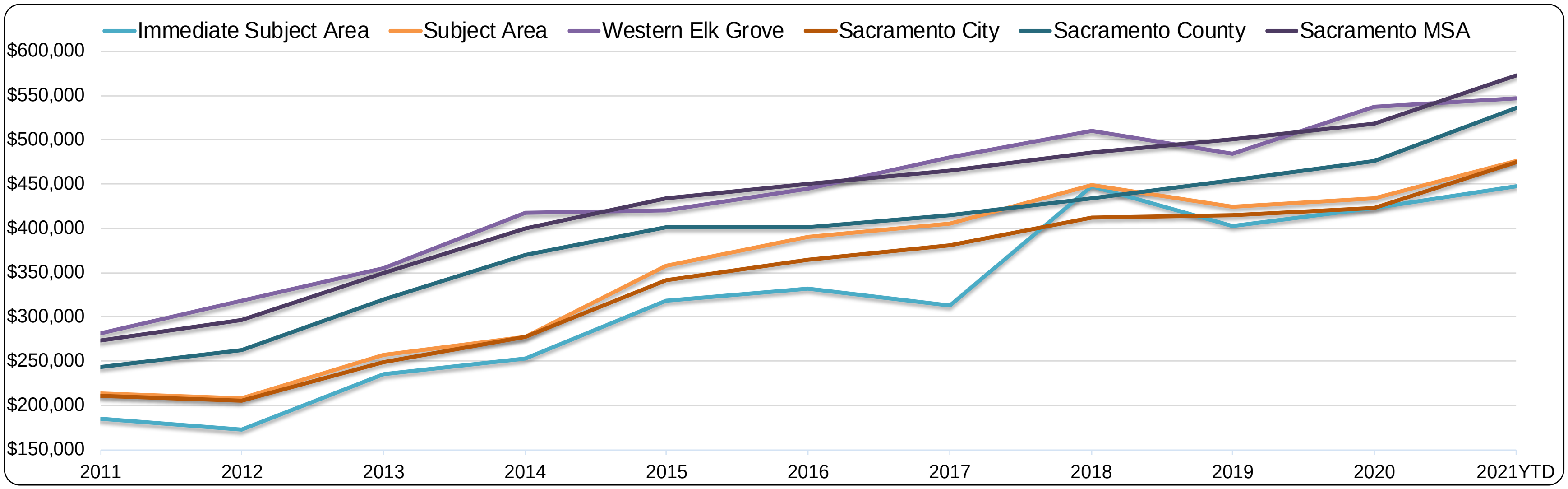
Attached Resales	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD	2020-21YTD %Ch
Immediate Subject Area	209	199	236	217	227	236	246	225	187	158	196	*24%*
Subject Area	237	234	279	246	256	280	303	254	233	210	270	*29%*
Western Elk Grove	100	82	86	79	91	90	82	89	61	67	68	*1%*
Sacramento City	1,120	1,216	1,179	1,077	1,184	1,277	1,292	1,245	1,223	1,089	1,241	*14%*
Sacramento County	2,038	2,080	2,106	1,894	2,166	2,266	2,248	2,184	2,115	1,973	2,038	*3%*
Sacramento MSA	2,786	2,789	2,820	2,620	2,955	3,177	3,141	3,041	2,919	2,898	2,887	*0%*

% Change	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD	*12-'21YTD Avg*
Immediate Subject Area	--	-5%	19%	-8%	5%	4%	4%	-9%	-17%	-16%	24%	*0%*
Subject Area	--	-1%	19%	-12%	4%	9%	8%	-16%	-8%	-10%	29%	*2%*
Western Elk Grove	--	-18%	5%	-8%	15%	-1%	-9%	9%	-31%	10%	1%	*-3%*
Sacramento City	--	9%	-3%	-9%	10%	8%	1%	-4%	-2%	-11%	14%	*1%*
Sacramento County	--	2%	1%	-10%	14%	5%	-1%	-3%	-3%	-7%	3%	*0%*
Sacramento MSA	--	0%	1%	-7%	13%	8%	-1%	-3%	-4%	-1%	0%	*0%*

Source: CoreLogic. YTD as of Oct 2021

New Home Price

Since 2011, new home prices have increased in all areas along similar trends. New home prices increased 6% YOY from 2020 to 2021 YTD in the immediate Subject Area and 10% in the broader Subject Area. As expected, prices are highest in the western Elk Grove area (west of Highway 99), the portion of that city nearer the Subject.



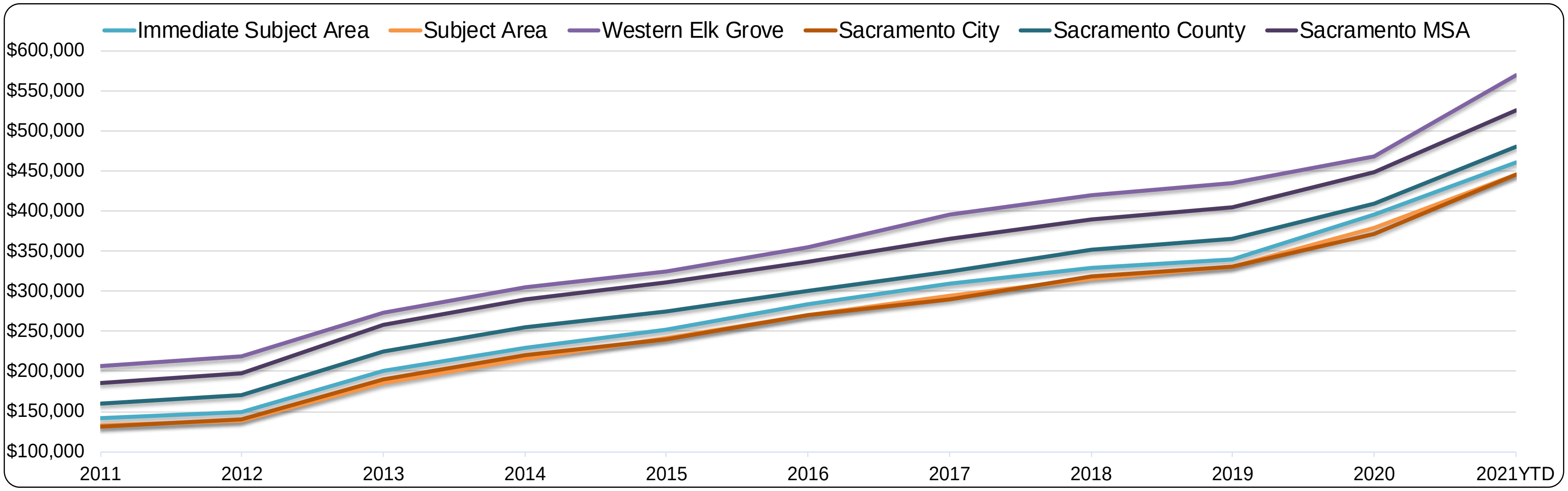
New Home Price	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD	2020-21YTD %Ch
Immediate Subject Area	$185,000	$173,000	$235,500	$252,250	$317,500	$331,500	$312,750	$447,500	$402,000	$423,500	$447,000	*6%*
Subject Area	$213,000	$207,500	$257,000	$277,500	$358,000	$390,000	$405,000	$449,000	$424,000	$434,000	$475,500	*10%*
Western Elk Grove	$282,000	$318,500	$354,500	$418,000	$419,750	$444,000	$480,000	$510,000	$484,000	$536,750	$546,750	*2%*
Sacramento City	$211,000	$205,000	$249,000	$277,000	$341,000	$365,000	$380,600	$412,000	$415,000	$422,500	$475,000	*12%*
Sacramento County	$244,000	$262,500	$318,955	$370,000	$400,500	$401,500	$415,000	$433,300	$454,250	$476,500	$536,000	*12%*
Sacramento MSA	$273,000	$296,000	$350,000	$400,000	$434,000	$450,000	$464,500	$486,000	$500,000	$518,000	$572,000	*10%*

% Change	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD	*12-'21YTD Avg*
Immediate Subject Area	--	-6%	36%	7%	26%	4%	-6%	43%	-10%	5%	6%	*11%*
Subject Area	--	-3%	24%	8%	29%	9%	4%	11%	-6%	2%	10%	*9%*
Western Elk Grove	--	13%	11%	18%	0%	6%	8%	6%	-5%	11%	2%	*7%*
Sacramento City	--	-3%	21%	11%	23%	7%	4%	8%	1%	2%	12%	*9%*
Sacramento County	--	8%	22%	16%	8%	0%	3%	4%	5%	5%	12%	*8%*
Sacramento MSA	--	8%	18%	14%	9%	4%	3%	5%	3%	4%	10%	*8%*

Source: CoreLogic. YTD as of Oct 2021

Existing Home Price - Detached

Existing SFD prices have increased dramatically in all areas since 2011 and all areas experienced double-digit price growth from 2020 to 2021 YTD. Resales in the immediate Subject Area are up 16% from 2020 to 2021 YTD.

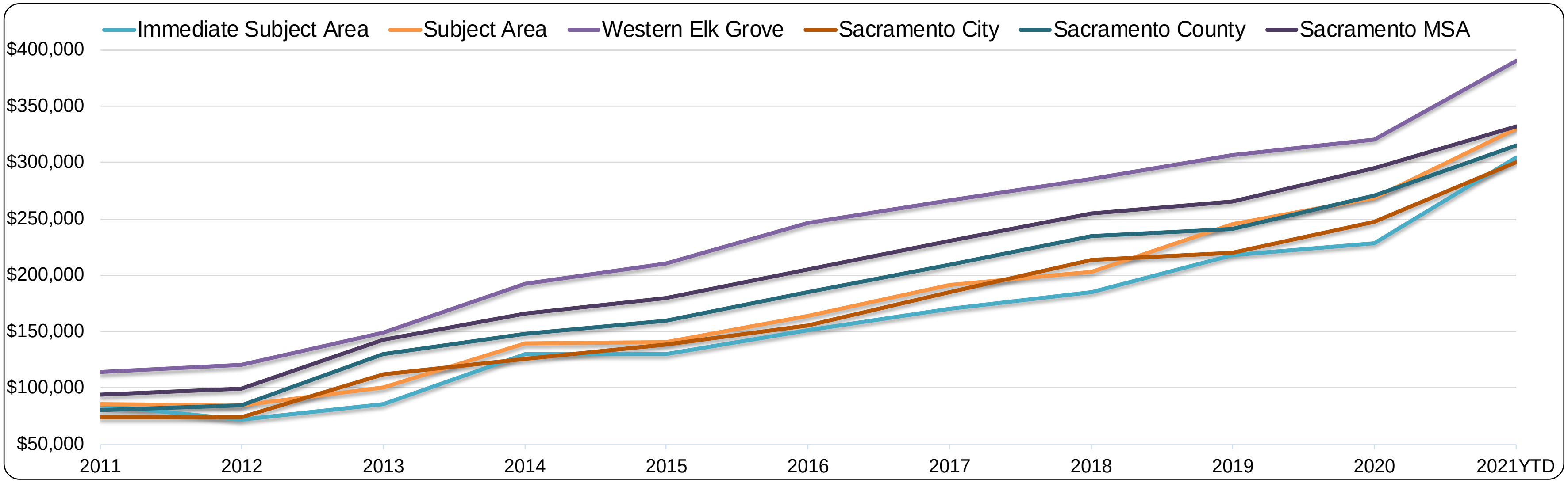


Detached Resales	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD	2020-21YTD %Ch
Immediate Subject Area	$141,000	$149,250	$200,000	$230,000	$252,000	$283,100	$310,000	$328,600	$340,250	$395,000	$460,000	*16%*
Subject Area	$132,500	$139,000	$185,000	$216,500	$241,500	$270,000	$295,000	$316,000	$330,000	$379,000	$445,000	*17%*
Western Elk Grove	$207,000	$219,000	$273,250	$305,000	$325,000	$355,000	$395,000	$420,000	$435,000	$468,000	$570,000	*22%*
Sacramento City	$131,000	$140,000	$190,000	$220,000	$240,000	$269,500	$290,000	$318,000	$330,000	$372,000	$445,000	*20%*
Sacramento County	$160,000	$170,000	$225,000	$255,000	$275,000	$300,000	$325,000	$352,500	$365,000	$409,000	$480,000	*17%*
Sacramento MSA	$185,000	$198,000	$257,750	$290,000	$311,000	$337,000	$365,000	$390,000	$405,000	$449,000	$525,000	*17%*

% Change	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD	*12-'21YTD Avg*
Immediate Subject Area	--	6%	34%	15%	10%	12%	10%	6%	4%	16%	16%	*13%*
Subject Area	--	5%	33%	17%	12%	12%	9%	7%	4%	15%	17%	*13%*
Western Elk Grove	--	6%	25%	12%	7%	9%	11%	6%	4%	8%	22%	*11%*
Sacramento City	--	7%	36%	16%	9%	12%	8%	10%	4%	13%	20%	*13%*
Sacramento County	--	6%	32%	13%	8%	9%	8%	8%	4%	12%	17%	*12%*
Sacramento MSA	--	7%	30%	13%	7%	8%	8%	7%	4%	11%	17%	*11%*

Source: CoreLogic. YTD as of Oct 2021

Existing Home Price - Attached

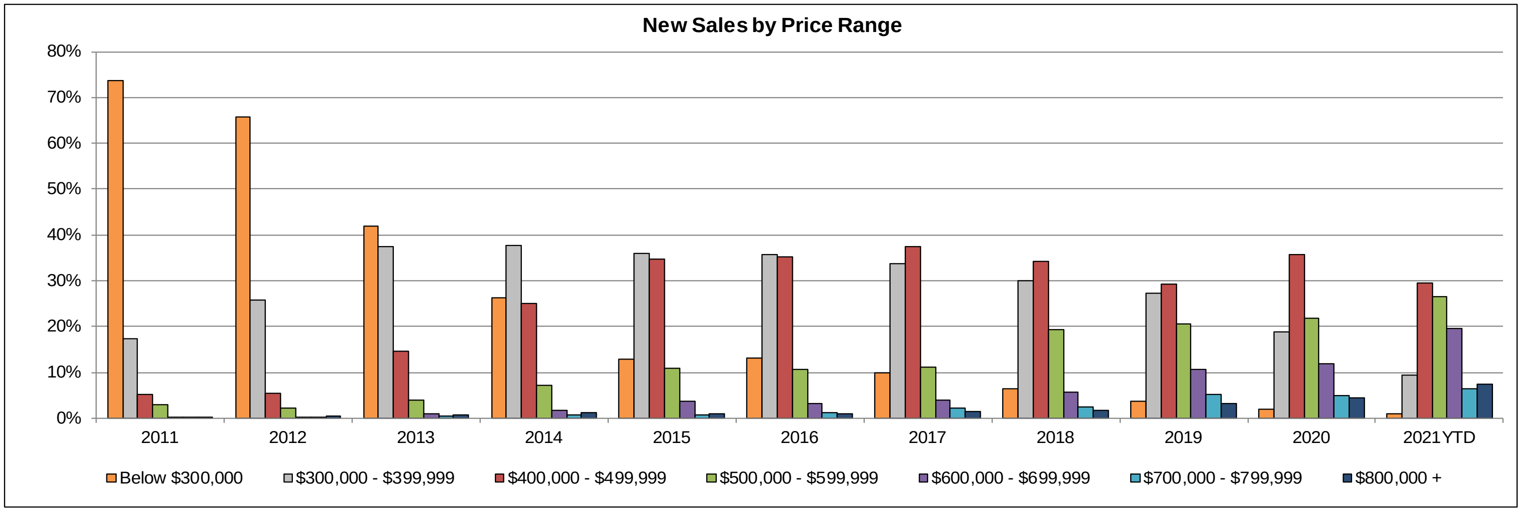


Attached Resales	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD	2020-21YTD %Ch
Immediate Subject Area	$85,000	$72,000	$85,500	$130,250	$130,000	$150,750	$170,000	$184,500	$218,000	$228,750	$305,000	*33%*
Subject Area	$85,500	$85,000	$100,500	$139,500	$141,000	$163,500	$191,500	$202,500	$245,000	$268,250	$330,000	*23%*
Western Elk Grove	$113,750	$120,000	$149,000	$192,250	$210,000	$246,750	$266,000	$285,000	$307,000	$320,000	$390,500	*22%*
Sacramento City	$74,000	$74,000	$112,000	$126,000	$138,000	$155,000	$185,000	$213,250	$220,000	$247,500	$300,000	*21%*
Sacramento County	$80,000	$85,000	$130,000	$147,500	$160,000	$185,000	$209,000	$235,000	$240,750	$271,000	$315,000	*16%*
Sacramento MSA	$94,500	$99,000	$142,500	$166,000	$180,000	$205,000	$230,000	$255,000	$265,000	$295,000	$332,500	*13%*

% Change	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD	*12-'21YTD Avg*
Immediate Subject Area	--	-15%	19%	52%	0%	16%	13%	9%	18%	5%	33%	*15%*
Subject Area	--	-1%	18%	39%	1%	16%	17%	6%	21%	9%	23%	*15%*
Western Elk Grove	--	5%	24%	29%	9%	18%	8%	7%	8%	4%	22%	*13%*
Sacramento City	--	0%	51%	13%	10%	12%	19%	15%	3%	13%	21%	*16%*
Sacramento County	--	6%	53%	13%	8%	16%	13%	12%	2%	13%	16%	*15%*
Sacramento MSA	--	5%	44%	16%	8%	14%	12%	11%	4%	11%	13%	*14%*

Source: CoreLogic. YTD as of Oct 2021

Sales by Price Range – New Homes (Attached & Detached)



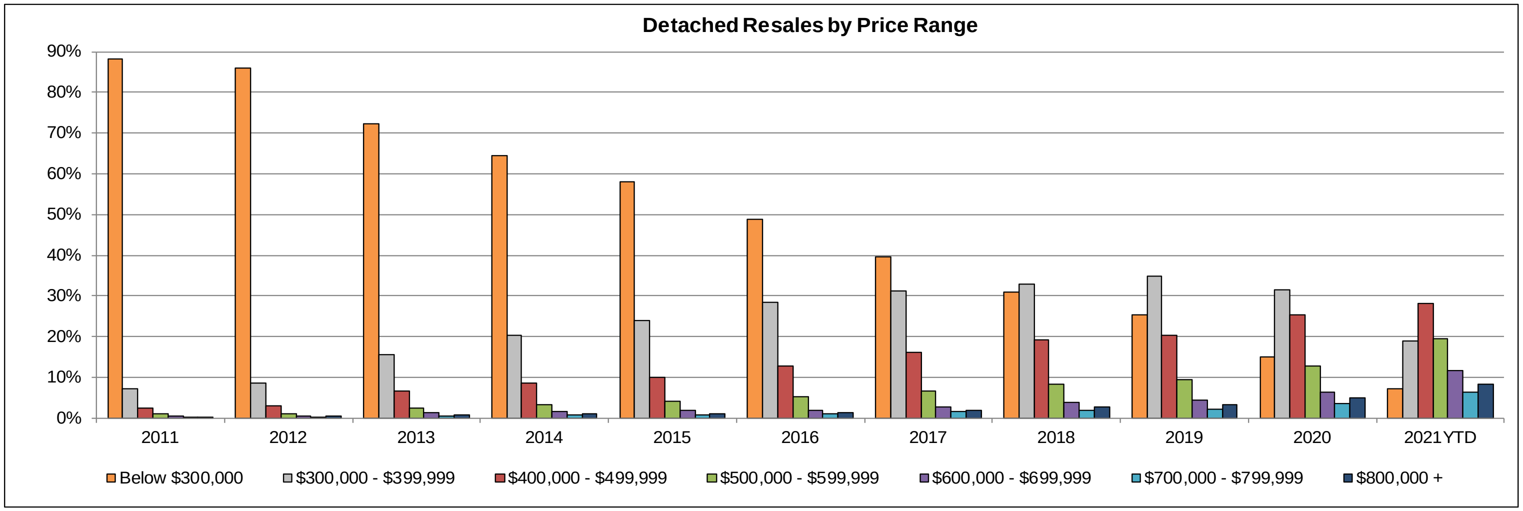
NEW SALES BY PRICE COMPARISON - SACRAMENTO COUNTY											
Price Range	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021YTD**
Below $300,000	697	843	664	399	238	303	280	183	127	62	29
$300,000 - $399,999	165	331	594	570	658	815	946	850	903	616	253
$400,000 - $499,999	50	69	231	378	637	804	1,051	973	973	1,165	804
$500,000 - $599,999	29	30	61	110	198	244	316	549	681	712	723
$600,000 - $699,999	1	2	15	28	69	71	109	164	352	391	535
$700,000 - $799,999	1	1	6	10	15	26	60	71	170	164	174
$800,000 +	2	5	11	19	20	25	40	46	108	143	202
Total	**945**	**1,281**	**1,582**	**1,514**	**1,835**	**2,288**	**2,802**	**2,836**	**3,314**	**3,253**	**2,720**

Source: CoreLogic

NEW SALES BY PRICE COMPARISON - SACRAMENTO COUNTY											
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021YTD**
Below $300,000	74%	66%	42%	26%	13%	13%	10%	6%	4%	2%	1%
$300,000 - $399,999	17%	26%	38%	38%	36%	36%	34%	30%	27%	19%	9%
$400,000 - $499,999	5%	5%	15%	25%	35%	35%	38%	34%	29%	36%	30%
$500,000 - $599,999	3%	2%	4%	7%	11%	11%	11%	19%	21%	22%	27%
$600,000 - $699,999	0%	0%	1%	2%	4%	3%	4%	6%	11%	12%	20%
$700,000 - $799,999	0%	0%	0%	1%	1%	1%	2%	3%	5%	5%	6%
$800,000 +	0%	0%	1%	1%	1%	1%	1%	2%	3%	4%	7%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: CoreLogic. YTD as of Oct 2021

Sales by Price Range – Detached Resales



DETACHED RESALES BY PRICE COMPARISON - SACRAMENTO COUNTY

Price Range	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD
Below $300,000	17,902	18,119	14,198	11,397	11,425	10,011	7,921	5,907	4,713	2,732	1,287
$300,000 - $399,999	1,468	1,798	3,069	3,599	4,702	5,860	6,291	6,307	6,450	5,738	3,389
$400,000 - $499,999	499	642	1,305	1,510	1,956	2,612	3,222	3,689	3,761	4,641	5,059
$500,000 - $599,999	201	257	519	582	821	1,080	1,351	1,576	1,744	2,354	3,497
$600,000 - $699,999	115	138	261	272	360	422	559	746	840	1,181	2,099
$700,000 - $799,999	43	57	122	140	190	233	308	382	399	663	1,133
$800,000 +	67	94	160	178	235	277	406	532	625	898	1,523
Total	**20,295**	**21,105**	**19,634**	**17,678**	**19,689**	**20,495**	**20,058**	**19,139**	**18,532**	**18,207**	**17,987**

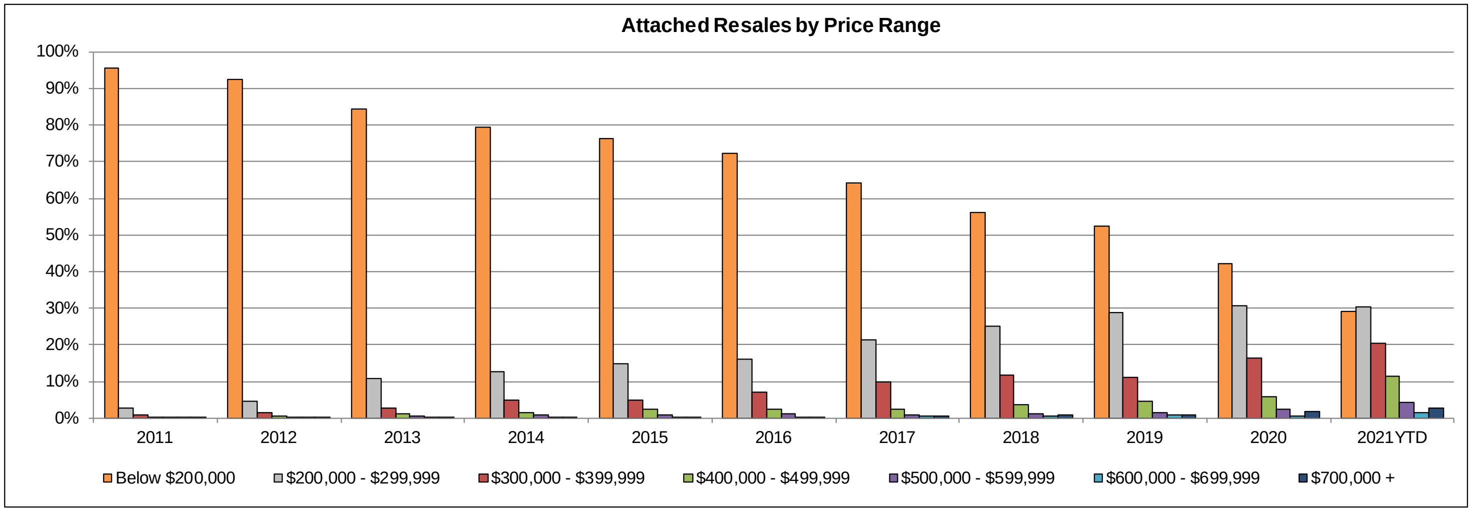
Source: CoreLogic

DETACHED RESALES BY PRICE COMPARISON - SACRAMENTO COUNTY

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD
Below $300,000	88%	86%	72%	64%	58%	49%	39%	31%	25%	15%	7%
$300,000 - $399,999	7%	9%	16%	20%	24%	29%	31%	33%	35%	32%	19%
$400,000 - $499,999	2%	3%	7%	9%	10%	13%	16%	19%	20%	25%	28%
$500,000 - $599,999	1%	1%	3%	3%	4%	5%	7%	8%	9%	13%	19%
$600,000 - $699,999	1%	1%	1%	2%	2%	2%	3%	4%	5%	6%	12%
$700,000 - $799,999	0%	0%	1%	1%	1%	1%	2%	2%	2%	4%	6%
$800,000 +	0%	0%	1%	1%	1%	1%	2%	3%	3%	5%	8%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: CoreLogic. YTD as of Oct 2021

Sales by Price Range – Attached Resales



ATTACHED RESALES BY PRICE COMPARISON - SACRAMENTO COUNTY

Price Range	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD
Below $200,000	1,937	1,907	1,758	1,485	1,634	1,622	1,426	1,215	1,097	824	591
$200,000 - $299,999	58	99	227	237	320	364	475	546	606	599	615
$300,000 - $399,999	19	35	58	92	103	157	224	258	233	325	419
$400,000 - $499,999	6	13	23	31	55	57	54	83	96	116	235
$500,000 - $599,999	1	5	13	17	23	25	19	26	30	47	87
$600,000 - $699,999	2	2	5	8	5	10	15	16	17	15	33
$700,000 +	3	6	3	4	5	7	12	23	17	34	54
Total	**2,026**	**2,067**	**2,087**	**1,874**	**2,145**	**2,242**	**2,225**	**2,167**	**2,096**	**1,960**	**2,034**

Source: CoreLogic

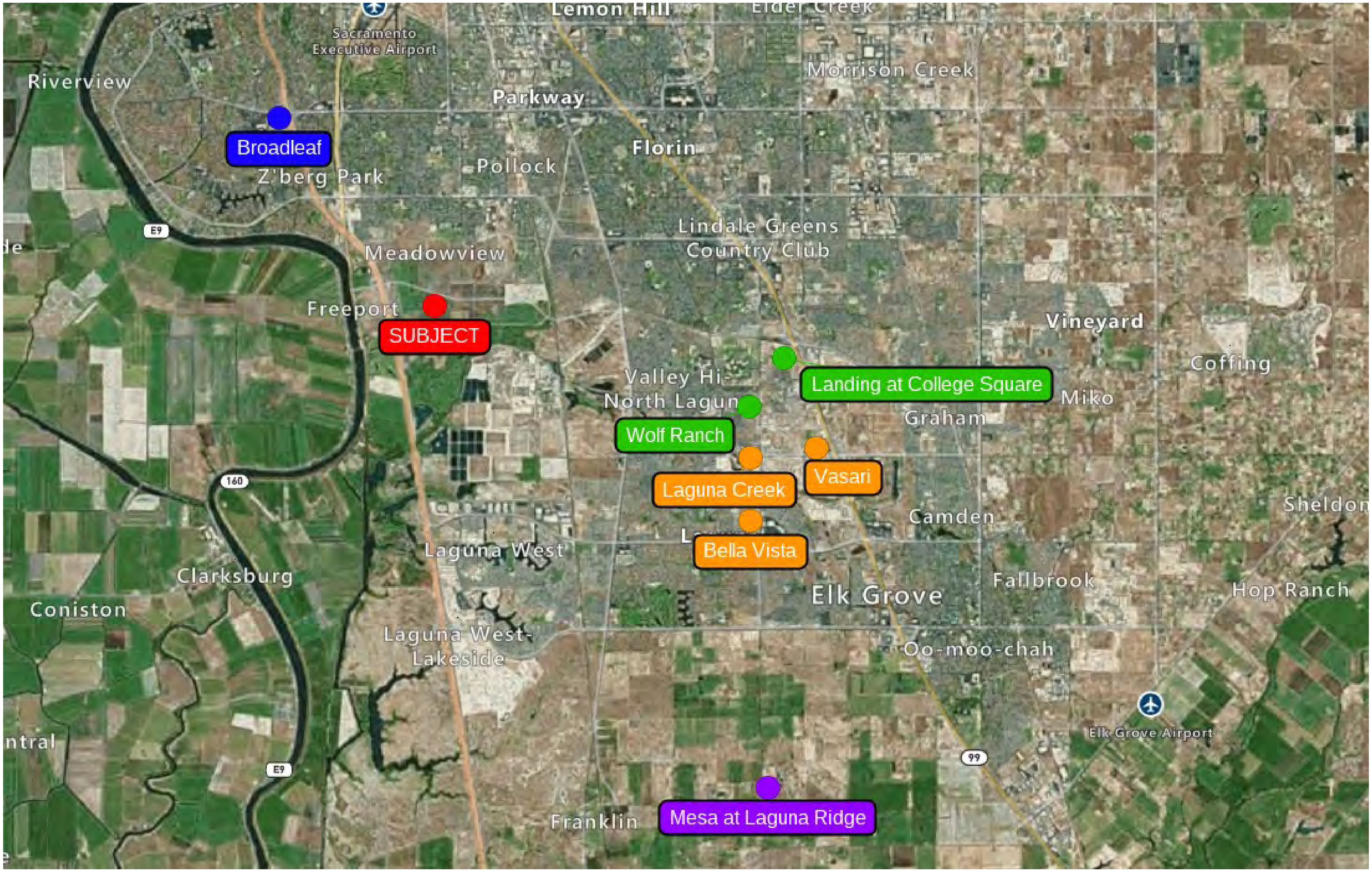
ATTACHED RESALES BY PRICE COMPARISON - SACRAMENTO COUNTY

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021YTD
Below $200,000	96%	92%	84%	79%	76%	72%	64%	56%	52%	42%	29%
$200,000 - $299,999	3%	5%	11%	13%	15%	16%	21%	25%	29%	31%	30%
$300,000 - $399,999	1%	2%	3%	5%	5%	7%	10%	12%	11%	17%	21%
$400,000 - $499,999	0%	1%	1%	2%	3%	3%	2%	4%	5%	6%	12%
$500,000 - $599,999	0%	0%	1%	1%	1%	1%	1%	1%	1%	2%	4%
$600,000 - $699,999	0%	0%	0%	0%	0%	0%	1%	1%	1%	1%	2%
$700,000 +	0%	0%	0%	0%	0%	0%	1%	1%	1%	2%	3%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: CoreLogic. YTD as of Oct 2021

RENTAL COMPETITIVE MARKET

Location of Subject & Apartment Comparables

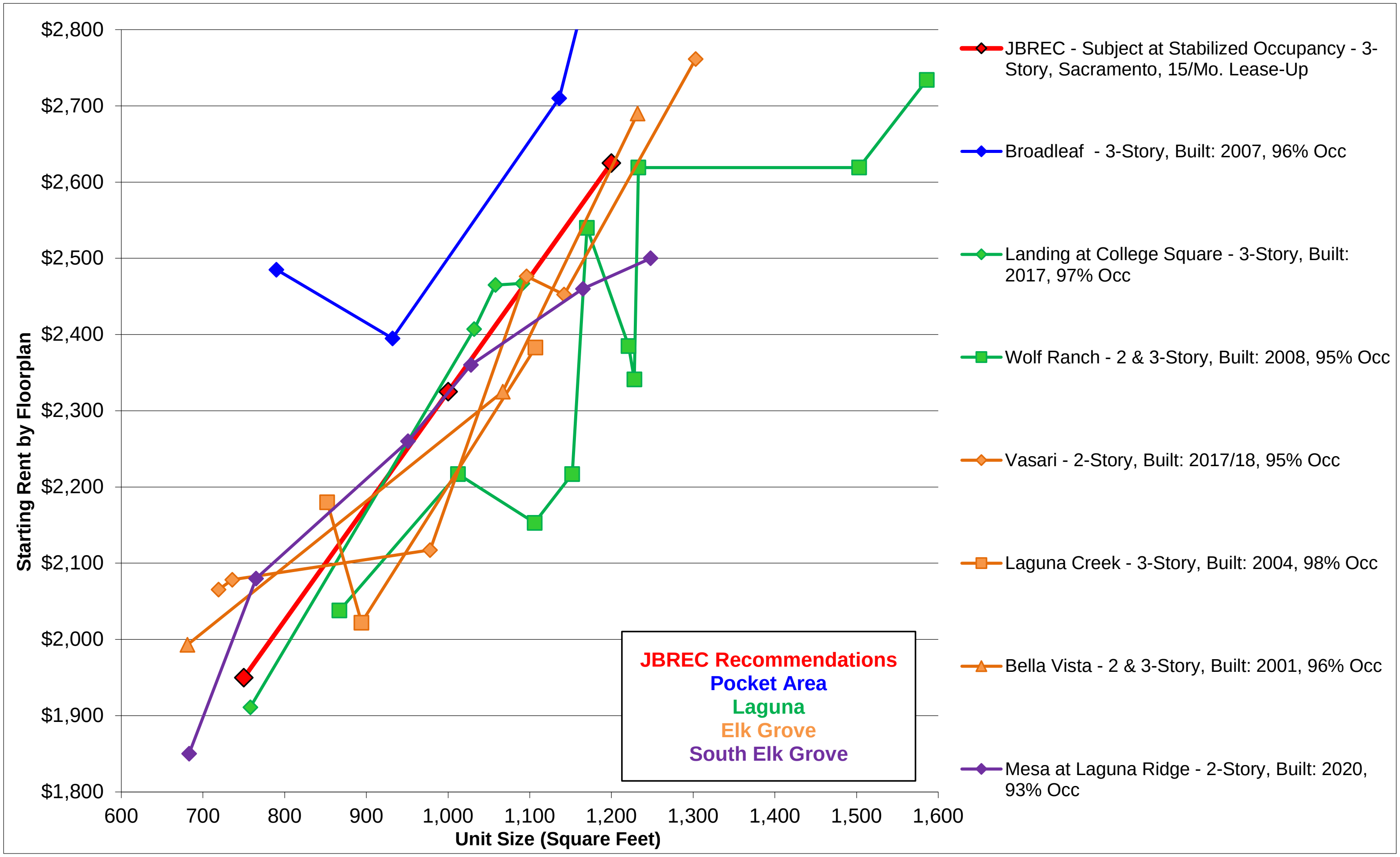


Apartment Comparables Summary

SUMMARY OF COMPETITORS										
COMMUNITY	BUILT	CITY	BASE RENT RANGE	OCCUPIED	AVG BASE (LOW) RENT	AVG BASE $/SF	AVG. CONCESSION $	AVG. CONCESSION %	NET EFFECTIVE AVG RENT	NET EFFECTIVE AVG $/SF
Subject at Stabilized Occupancy	Q3 2023 forward	Sacramento	$1950 - $2625	-	$2,258	$2.36	$0	0.0%	$2,280	$2.39
Broadleaf	2007	Sacramento	$2395 - $3150	96%	$2,740	$2.67	$0	0.0%	$2,761	$2.70
Landing at College Square	2017	Sacramento	$1911 - $2467	97%	$2,172	$2.42	$0	0.0%	$2,199	$2.45
Wolf Ranch	2008	Sacramento	$2038 - $2734	95%	$2,371	$2.00	$0	0.0%	$2,412	$2.04
Vasari	2017/18	Elk Grove	$2107 - $2803	95%	$2,383	$2.44	($42)	-1.7%	$2,385	$2.43
Laguna Creek	2004	Elk Grove	$2022 - $2383	98%	$2,299	$2.25	$0	0.0%	$2,299	$2.25
Bella Vista	2001	Elk Grove	$1993 - $2690	96%	$2,317	$2.37	$0	0.0%	$2,422	$2.47
Mesa at Laguna Ridge	2020	Elk Grove	$1850 - $2500	93%	$2,273	$2.34	$0	0.0%	$2,273	$2.34
			AVERAGE	96%	$2,380	$2.36	($7)	-0.3%	$2,413	$2.39
			MEDIAN	96%	$2,344	$2.39	$0	0.0%	$2,399	$2.44

Base Rental Positioning Comparison

Base rents provide the most accurate sense of positioning among comparables since average rents can fluctuate markedly. The red line represents market appropriate rents for a Subject apartment complex assuming stabilized occupancy. The Subject is appropriately positioned in the middle of the relevant market given its product, location, MPC setting and new construction, these factors offset by a lesser address and location in South Sacramento. (Note that the largest Broadleaf plan not shown to better illustrate subject positioning).



Apartment Comparables Detail

Project Name	City	MIX	%	Sq. Ft.	Bed	Bath	Level	Pkg Spts	Base Rent Low	-	Base Rent High	Base Rent Average	Base $/SF Low	-	Base $/SF High	Base $/SF Average	Concessions Direct	Concessions Indirect	Concessions Total	Net Effective Rent Low	-	Net Effective Rent High	Net Effective Rent Average	Net Effective $/SF Low	-	Net Effective $/SF High	Net Effective $/SF Average
BROADLEAF																											
Broadleaf	**Sacramento**	64	26%	790	1	1.0	1	1CP	$2,485	-	$2,530	$2,508	$3.15	-	$3.20	$3.17	$0	$0	$0	$2,485	-	$2,530	$2,508	$3.15	-	$3.20	$3.17
		48	20%	932	2	1.0	1	1CP	$2,395	-	$2,495	$2,445	$2.57	-	$2.68	$2.62	$0	$0	$0	$2,395	-	$2,495	$2,445	$2.57	-	$2.68	$2.62
Product: Garden-style	Total Units: 244	48	20%	1,136	2	2.0	1	1CP	$2,710	-	$2,710	$2,710	$2.39	-	$2.39	$2.39	$0	$0	$0	$2,710	-	$2,710	$2,710	$2.39	-	$2.39	$2.39
# of Floors: 3-Story	Total Occupied: 234	84	34%	1,240	2	2.0	1	1CP	$3,150	-	$3,175	$3,163	$2.54	-	$2.56	$2.55	$0	$0	$0	$3,150	-	$3,175	$3,163	$2.54	-	$2.56	$2.55
Density: 21 DU/ac	Occupancy Rate: 96%																										
Parking: CP/O/DG	Currently Available: 10																										
Year Built: 2007																											
	Totals/Averages:	244	100%	1,041					$2,740	-	$2,781	$2,761	$2.67	-	$2.72	$2.70	$0	$0	$0	$2,740	-	$2,781	$2,761	$2.67	-	$2.72	$2.70
LANDING AT COLLEGE SQUARE																											
Landing at College Square	**Sacramento**	126	47%	758	1	1.0	1	1CP	$1,911	-	$1,997	$1,954	$2.52	-	$2.63	$2.58	$0	$0	$0	$1,911	-	$1,997	$1,954	$2.52	-	$2.63	$2.58
		42	16%	1,032	2	2.0	1	1CP	$2,407	-	$2,407	$2,407	$2.33	-	$2.33	$2.33	$0	$0	$0	$2,407	-	$2,407	$2,407	$2.33	-	$2.33	$2.33
Product: Garden-style	Total Units: 270	42	16%	1,058	2	2.0	1	1CP	$2,465	-	$2,472	$2,469	$2.33	-	$2.34	$2.33	$0	$0	$0	$2,465	-	$2,472	$2,469	$2.33	-	$2.34	$2.33
# of Floors: 3-Story	Total Occupied: 261	36	13%	1,091	2	2.0	1	1CP	$2,467	-	$2,534	$2,501	$2.26	-	$2.32	$2.29	$0	$0	$0	$2,467	-	$2,534	$2,501	$2.26	-	$2.32	$2.29
Density: 26 DU/ac	Occupancy Rate: 97%	12	4%	1,199	3	2.0	1	1CP																			
Parking: CP/O/DG	Currently Available: 9	12	4%	1,228	3	2.0	1	1CP																			
Year Built: 2017																											
	Totals/Averages:	270	100%	932					$2,172	-	$2,227	$2,199	$2.42	-	$2.49	$2.45	$0	$0	$0	$2,172	-	$2,227	$2,199	$2.42	-	$2.49	$2.45
WOLF RANCH																											
Wolf Ranch	**Sacramento**	16	10%	867	1	1.0	1	1	$2,038	-	$2,238	$2,138	$2.35	-	$2.58	$2.47	$0	$0	$0	$2,038	-	$2,238	$2,138	$2.35	-	$2.58	$2.47
		16	10%	1,012	2	2.0	1	1	$2,217	-	$2,417	$2,317	$2.19	-	$2.39	$2.29	$0	$0	$0	$2,217	-	$2,417	$2,317	$2.19	-	$2.39	$2.29
Product: Garden-style & Towns	Total Units: 160	16	10%	1,106	1	1.5	1	1	$2,153	-	$2,153	$2,153	$1.95	-	$1.95	$1.95	$0	$0	$0	$2,153	-	$2,153	$2,153	$1.95	-	$1.95	$1.95
# of Floors: 2 & 3-Story	Total Occupied: 152	16	10%	1,152	2	2.0	1	1	$2,217	-	$2,367	$2,292	$1.92	-	$2.05	$1.99	$0	$0	$0	$2,217	-	$2,367	$2,292	$1.92	-	$2.05	$1.99
Density: 18 DU/ac	Occupancy Rate: 95%	8	5%	1,170	2	2.0	1	1	$2,540	-	$2,540	$2,540	$2.17	-	$2.17	$2.17	$0	$0	$0	$2,540	-	$2,540	$2,540	$2.17	-	$2.17	$2.17
Parking: CP/O/DAG	Currently Available: 8	20	13%	1,221	2	2.0	1	1	$2,385	-	$2,535	$2,460	$1.95	-	$2.08	$2.01	$0	$0	$0	$2,385	-	$2,535	$2,460	$1.95	-	$2.08	$2.01
Year Built: 2008		24	15%	1,228	2	2.0	1	1	$2,341	-	$2,341	$2,341	$1.91	-	$1.91	$1.91	$0	$0	$0	$2,341	-	$2,341	$2,341	$1.91	-	$1.91	$1.91
		20	13%	1,233	3	2.0	1	1	$2,619	-	$2,619	$2,619	$2.12	-	$2.12	$2.12	$0	$0	$0	$2,619	-	$2,619	$2,619	$2.12	-	$2.12	$2.12
		8	5%	1,503	3	3.0	2	2	$2,619	-	$2,819	$2,719	$1.74	-	$1.88	$1.81	$0	$0	$0	$2,619	-	$2,819	$2,719	$1.74	-	$1.88	$1.81
		16	10%	1,586	3 Den	3.0	2	2	$2,734		$2,734	$2,734	$1.72		$1.72	$1.72	$0	$0	$0	$2,734	-	$2,734	$2,734	$1.72	-	$1.72	$1.72
	Totals/Averages:	160	100%	1,197					$2,371	-	$2,454	$2,412	$2.00	-	$2.08	$2.04	$0	$0	$0	$2,371	-	$2,454	$2,412	$2.00	-	$2.08	$2.04
VASARI																											
Vasari	**Elk Grove**	64	20%	719	1	1.0	1	1	$2,107	-	$2,148	$2,128	$2.93	-	$2.99	$2.96	($42)	$0	($42)	$2,065	-	$2,106	$2,086	$2.87	-	$2.93	$2.90
		42	13%	736	1	1.0	1	1	$2,120	-	$2,120	$2,120	$2.88	-	$2.88	$2.88	($42)	$0	($42)	$2,078	-	$2,078	$2,078	$2.82	-	$2.82	$2.82
Product: Garden-style	Total Units: 324	42	13%	978	2	2.0	1	1	$2,159	-	$2,159	$2,159	$2.21	-	$2.21	$2.21	($42)	$0	($42)	$2,117	-	$2,117	$2,117	$2.16	-	$2.16	$2.16
# of Floors: 2-Story	Total Occupied: 309	56	17%	1,096	2	2.0	1	1	$2,518	-	$2,518	$2,518	$2.30	-	$2.30	$2.30	($42)	$0	($42)	$2,476	-	$2,476	$2,476	$2.26	-	$2.26	$2.26
Density: 19 DU/ac	Occupancy Rate: 95%	64	20%	1,142	2	2.0	1	1	$2,494	-	$2,494	$2,494	$2.18	-	$2.18	$2.18	($42)	$0	($42)	$2,452	-	$2,452	$2,452	$2.15	-	$2.15	$2.15
Parking: CP/O/DAG	Currently Available: 15	56	17%	1,303	3	2.0	1	1	$2,803	-	$3,257	$3,030	$2.15	-	$2.50	$2.33	($42)	$0	($42)	$2,761	-	$3,215	$2,988	$2.12	-	$2.47	$2.29
Year Built: 2017/18																											
	Totals/Averages:	324	100%	1,004					$2,383	-	$2,470	$2,426	$2.44	-	$2.51	$2.47	($42)	$0	($42)	$2,342	-	$2,428	$2,385	$2.40	-	$2.47	$2.43

Apartment Comparables Detail

Project Name	City	MIX	%	Sq. Ft.	Bed	Bath	Level	Pkg Spts	Base Rent Low	-	Base Rent High	Base Rent Average	Base $/SF Low	-	Base $/SF High	Base $/SF Average	Concessions Direct	Concessions Indirect	Concessions Total	Net Effective Rent Low	-	Net Effective Rent High	Net Effective Rent Average	Net Effective $/SF Low	-	Net Effective $/SF High	Net Effective $/SF Average
LAGUNA CREEK																											
Laguna Creek	**Elk Grove**	20	13%	852	1	1.0	1	1	$2,180	-	$2,180	$2,180	$2.56	-	$2.56	$2.56	$0	$0	$0	$2,180	-	$2,180	$2,180	$2.56	-	$2.56	$2.56
		20	13%	870	1	1.0	1	1																			
Product: Garden-style	Total Units: 160	12	8%	894	1	1.0	1	1	$2,022	-	$2,022	$2,022	$2.26	-	$2.26	$2.26	$0	$0	$0	$2,022	-	$2,022	$2,022	$2.26	-	$2.26	$2.26
# of Floors: 3-Story	Total Occupied: 157	68	43%	1,107	2	2.0	1	1	$2,383	-	$2,383	$2,383	$2.15	-	$2.15	$2.15	$0	$0	$0	$2,383	-	$2,383	$2,383	$2.15	-	$2.15	$2.15
Density: 15 DU/ac	Occupancy Rate: 98%	12	8%	1,144	2	2.0	1	1																			
Parking: CP/O/DG	Currently Available: 3	28	18%	1,150	2	2.0	1	1																			
Year Built: 2004																											
	Totals/Averages:	160	100%	1,040					$2,299	-	$2,299	$2,299	$2.25	-	$2.25	$2.25	$0	$0	$0	$2,299	-	$2,299	$2,299	$2.25	-	$2.25	$2.25
BELLA VISTA																											
Bella Vista	**Elk Grove**	60	25%	681	1	1.0	1	1	$1,993	-	$2,071	$2,032	$2.93	-	$3.04	$2.98	$0	$0	$0	$1,993	-	$2,071	$2,032	$2.93	-	$3.04	$2.98
		132	55%	1,067	2	1.0	1	1	$2,325	-	$2,676	$2,501	$2.18	-	$2.51	$2.34	$0	$0	$0	$2,325	-	$2,676	$2,501	$2.18	-	$2.51	$2.34
Product: Garden-style	Total Units: 241	49	20%	1,232	2	1.0	1	1	$2,690	-	$2,690	$2,690	$2.18	-	$2.18	$2.18	$0	$0	$0	$2,690	-	$2,690	$2,690	$2.18	-	$2.18	$2.18
# of Floors: 2 & 3-Story	Total Occupied: 231																										
Density: 20 DU/ac	Occupancy Rate: 96%																										
Parking: CP/O/DG	Currently Available: 10																										
Year Built: 2001																											
	Totals/Averages:	241	100%	1,004					$2,317	-	$2,528	$2,422	$2.37	-	$2.57	$2.47	$0	$0	$0	$2,317	-	$2,528	$2,422	$2.37	-	$2.57	$2.47
MESA AT LAGUNA RIDGE																											
Mesa at Laguna Ridge	**Elk Grove**	6	14%	683	1	1.0	1	1	$1,850	-	$1,850	$1,850	$2.71	-	$2.71	$2.71	$0	$0	$0	$1,850	-	$1,850	$1,850	$2.71	-	$2.71	$2.71
		6	14%	765	1	1.0	1	1	$2,080	-	$2,080	$2,080	$2.72	-	$2.72	$2.72	$0	$0	$0	$2,080	-	$2,080	$2,080	$2.72	-	$2.72	$2.72
Product: Garden-style	Total Units: 42	7	17%	951	2	2.0	1	1	$2,260	-	$2,260	$2,260	$2.38	-	$2.38	$2.38	$0	$0	$0	$2,260	-	$2,260	$2,260	$2.38	-	$2.38	$2.38
# of Floors: 2-Story	Total Occupied: 39	8	19%	1,028	2	2.0	1	1	$2,360	-	$2,360	$2,360	$2.30	-	$2.30	$2.30	$0	$0	$0	$2,360	-	$2,360	$2,360	$2.30	-	$2.30	$2.30
Parking: N/A	Occupancy Rate: 93%	8	19%	1,165	2	1.5	2	2	$2,460	-	$2,460	$2,460	$2.11	-	$2.11	$2.11	$0	$0	$0	$2,460	-	$2,460	$2,460	$2.11	-	$2.11	$2.11
Year Built: 2020	Currently Available: 3	7	17%	1,248	2	2.5	2	2	$2,500	-	$2,500	$2,500	$2.00	-	$2.00	$2.00	$0	$0	$0	$2,500	-	$2,500	$2,500	$2.00	-	$2.00	$2.00
Note: Leasing activity during lease-up period was tied to building releases, which were sporadic.																											
	Totals/Averages:	42	100%	991					$2,273	-	$2,273	$2,273	$2.34	-	$2.34	$2.34	$0	$0	$0	$2,273	-	$2,273	$2,273	$2.34	-	$2.34	$2.34

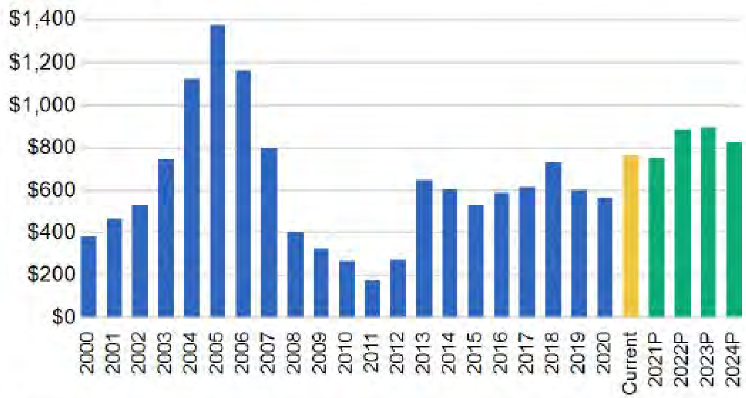
APARTMENT MARKET TRENDS

Apartment Rent vs. Housing Costs

Assuming the purchase of an entry-level home, valued at $411K (approximately 80% of the market's median price), the monthly housing payment plus maintenance costs equal $2,639. The median apartment rent in Sacramento is $1,878. As a result, **the monthly payments are $761 (41%) more to own an entry-level home in Sacramento versus renting the typical apartment.** See methodology notes below for additional detail.

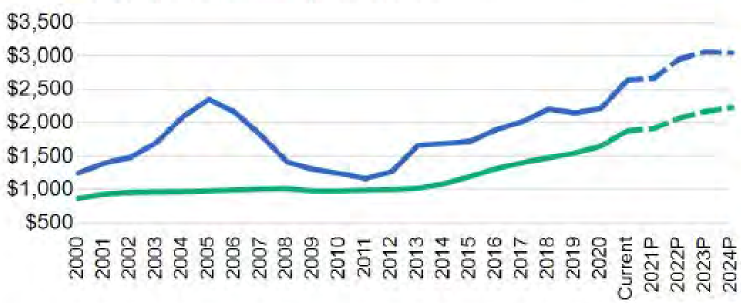
Monthly Entry-Level Housing Costs Minus Apartment Rent (Gap $761)

■ | ■ Homeownership Premium



Note: A positive number means that it costs more to own and maintain a home than to rent the typical apartment.

Housing Cost of Owning an Entry-Level Priced Home Versus Renting an Apartment



		Housing Costs			Rental Costs		Own Premium
	Home Value, Entry-Level Home	Home Payment, Entry-Level Home	Home Payment YOY %	Housing Costs (Payment + Maintenance)	Apartment Rent	Apt. Rent YOY %	Housing Costs minus Apt. Rent
2005	$294K	$2,188	13.2%	$2,351	$977	1.2%	$1,374
2006	$270K	$1,989	-9.1%	$2,156	$993	1.6%	$1,163
2007	$222K	$1,633	-17.9%	$1,807	$1,007	1.4%	$800
2008	$180K	$1,237	-24.2%	$1,411	$1,011	0.4%	$400
2009	$169K	$1,122	-9.3%	$1,301	$976	-3.5%	$325
2010	$156K	$1,059	-5.6%	$1,241	$977	0.1%	$264
2011	$149K	$977	-7.7%	$1,163	$990	1.3%	$173
2012	$171K	$1,080	10.5%	$1,270	$998	0.8%	$272
2013	$210K	$1,470	36.1%	$1,662	$1,017	1.9%	$645
2014	$224K	$1,495	1.7%	$1,689	$1,086	6.8%	$603
2015	$241K	$1,527	2.1%	$1,723	$1,195	10.0%	$528
2016	$263K	$1,699	11.3%	$1,899	$1,315	10.0%	$584
2017	$286K	$1,814	6.8%	$2,018	$1,403	6.7%	$615
2018	$298K	$1,998	10.1%	$2,206	$1,477	5.3%	$729
2019	$312K	$1,933	-3.3%	$2,146	$1,546	4.7%	$600
2020	$354K	$2,003	3.6%	$2,218	$1,653	6.9%	$565
Current	$411K	$2,411	22.4%	$2,639	$1,878	14.5%	$761
2021P	$420K	$2,447	22.2%	$2,665	$1,913	15.7%	$752
2022P	$453K	$2,737	11.9%	$2,958	$2,072	8.3%	$886
2023P	$463K	$2,841	3.8%	$3,066	$2,169	4.7%	$897
2024P	$456K	$2,823	-0.6%	$3,052	$2,230	2.8%	$822

See page 51 for a description on the entry-level home price, payment and maintenance.

Source: Burns Apartment Rent Index (BARI), John Burns Real Estate Consulting based on aggregated data from RealPage, Inc., JBREC forecasts

*Note: apartment rent annual values are for December of each year. "Current" data above is the most recent monthly data. The annual values provided above for price and payments are from December of each year.

December 2021: This release includes a new data source for apartment rent and occupancy. All history and forecasts are revised.

Sacramento, CA
December 2021

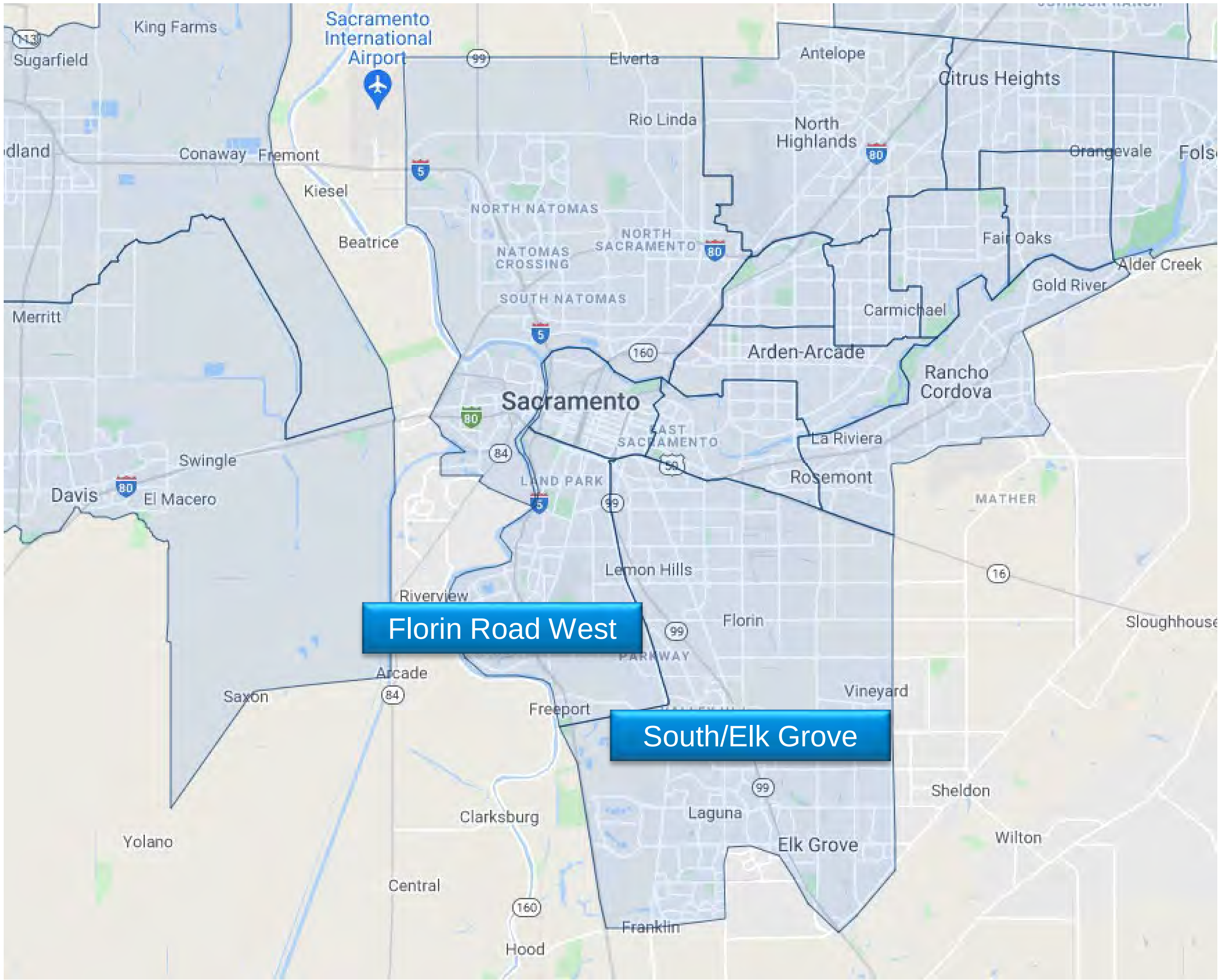
Apartments Trends – Geographic Areas

We analyzed demographic trends at the following levels:

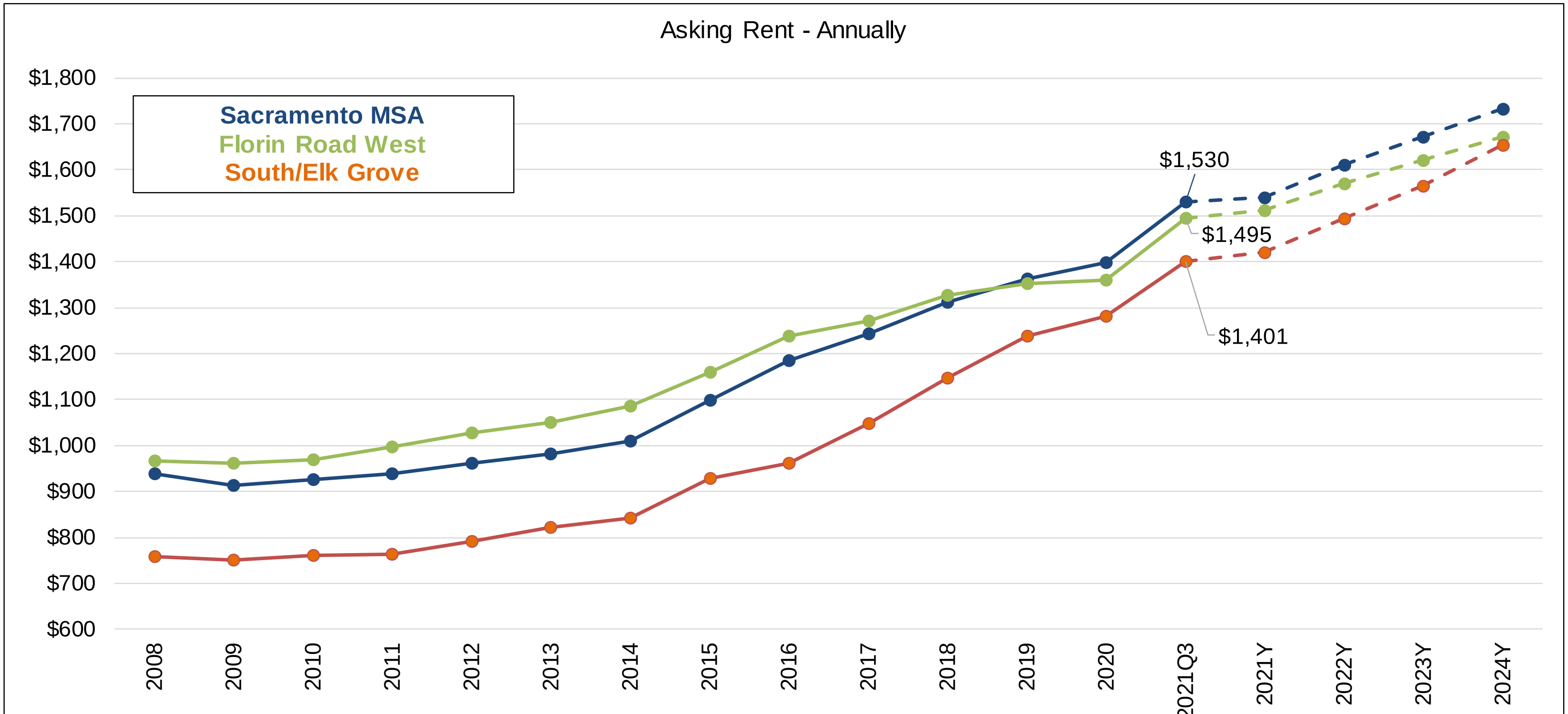
- Sacramento MSA
- Florin Road West submarket
- South/Elk Grove submarket

Note that the full Sacramento MSA is not on this map. Map and data in this section are per Yardi Matrix, which also defines these submarkets. The full Sacramento MSA includes the counties of Sacramento, Yolo, El Dorado, and Placer.

Note also that the data on the tables and chart that follow reflect all apartment unit types.



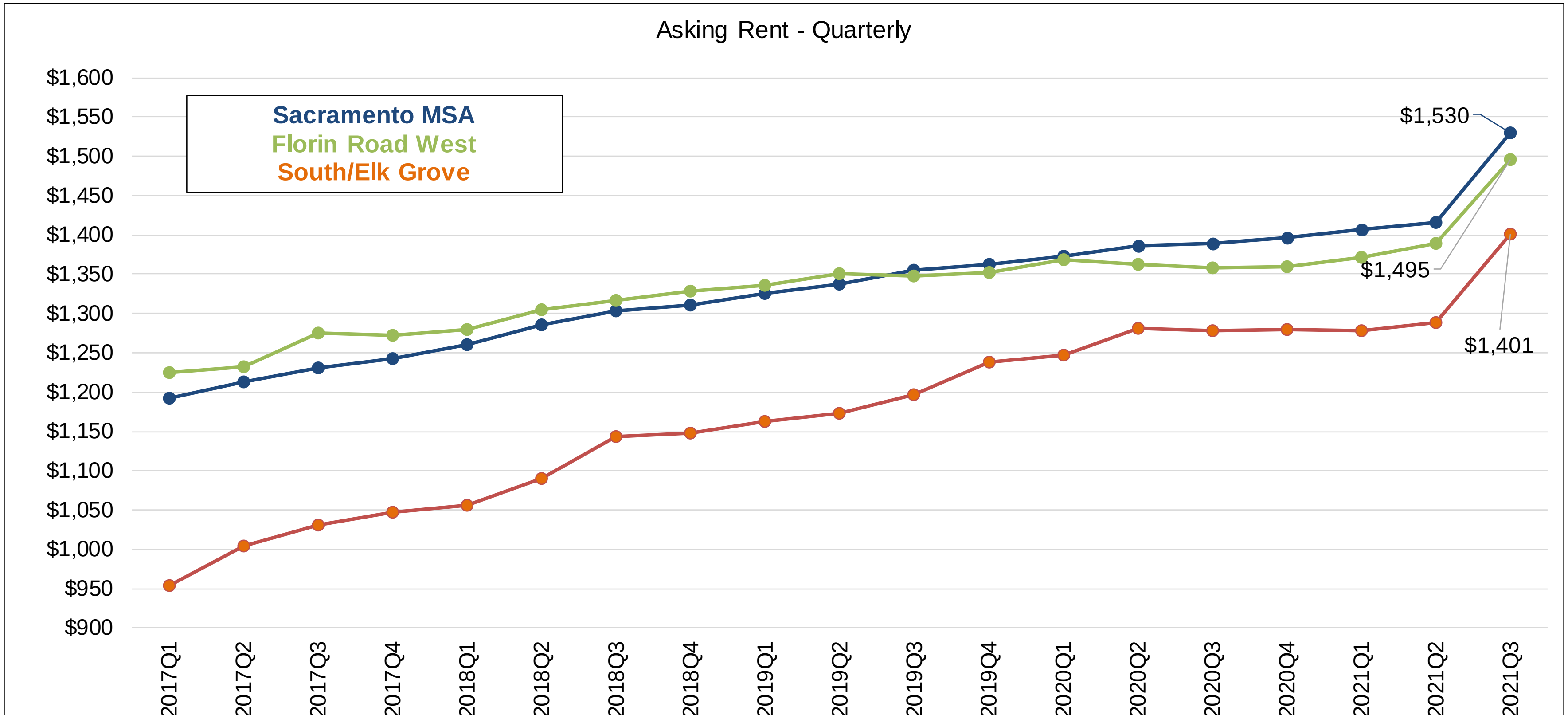
Asking Rents – Annually



Source: REIS Services

Asking Rent	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021Q3	2021Y	2022Y	2023Y	2024Y
Sacramento MSA	$918	$939	$913	$926	$939	$961	$982	$1,009	$1,098	$1,184	$1,243	$1,311	$1,362	$1,397	$1,530	$1,541	$1,610	$1,672	$1,733
1-Year Growth Rate		*2.3%*	*-2.8%*	*1.3%*	*1.4%*	*2.4%*	*2.1%*	*2.8%*	*8.8%*	*7.9%*	*4.9%*	*5.5%*	*3.9%*	*2.5%*	*9.5%*	*10.3%*	*4.5%*	*3.9%*	*3.6%*
Florin Road West	$945	$967	$961	$969	$998	$1,027	$1,049	$1,085	$1,160	$1,238	$1,272	$1,328	$1,353	$1,359	$1,495	$1,512	$1,571	$1,622	$1,671
1-Year Growth Rate		*2.3%*	*-0.6%*	*0.9%*	*2.9%*	*3.0%*	*2.2%*	*3.4%*	*7.0%*	*6.7%*	*2.8%*	*4.4%*	*1.9%*	*0.5%*	*10.0%*	*1.1%*	*3.9%*	*3.3%*	*3.0%*
South/Elk Grove	$729	$758	$751	$761	$764	$791	$821	$841	$928	$962	$1,048	$1,148	$1,238	$1,280	$1,401	$1,420	$1,494	$1,565	$1,653
1-Year Growth Rate		*4.0%*	*-0.9%*	*1.3%*	*0.4%*	*3.5%*	*3.9%*	*2.5%*	*10.3%*	*3.6%*	*8.9%*	*9.5%*	*7.8%*	*3.4%*	*9.4%*	*1.3%*	*5.2%*	*4.8%*	*5.6%*

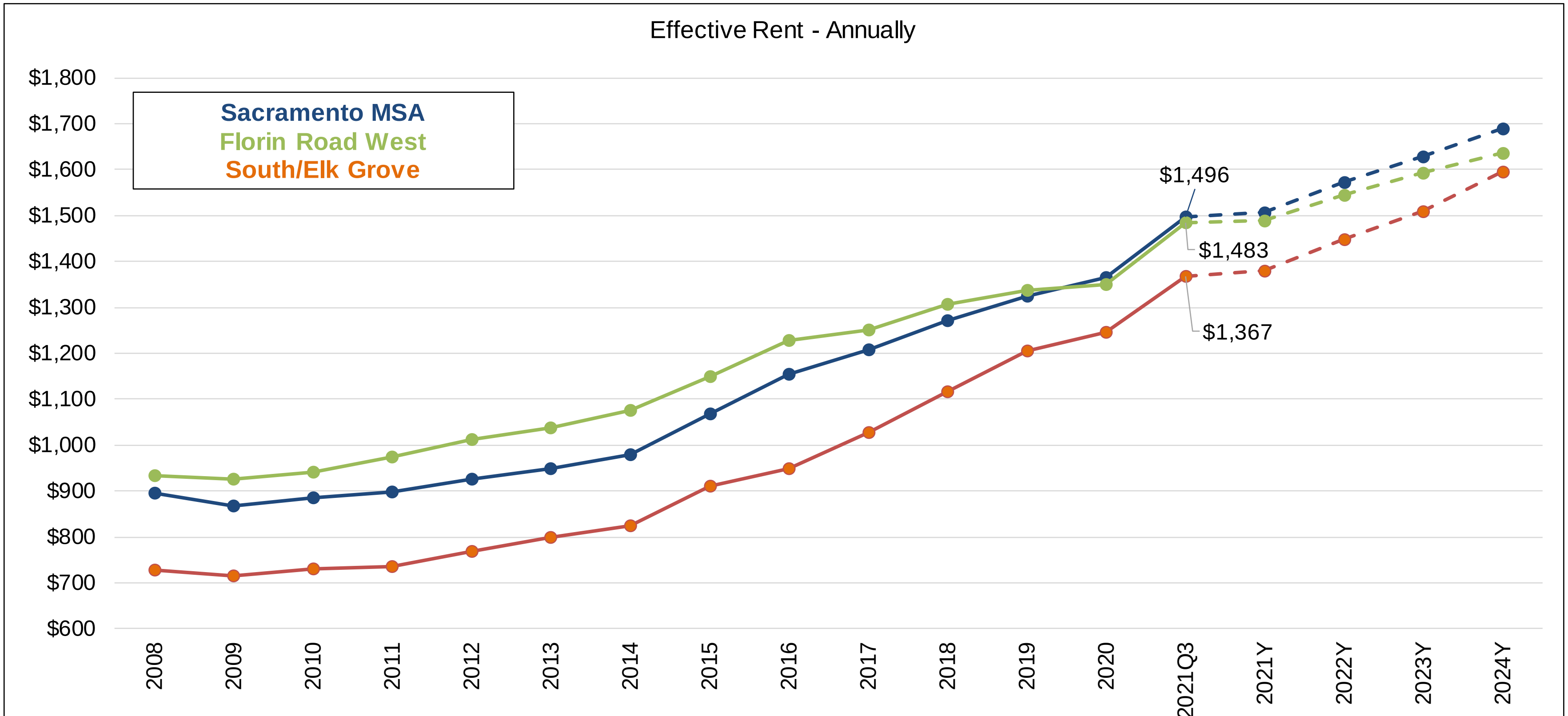
Asking Rents – Quarterly



Source: REIS Services

Asking Rent	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3
Sacramento MSA	$1,193	$1,213	$1,231	$1,243	$1,261	$1,285	$1,303	$1,311	$1,325	$1,338	$1,355	$1,362	$1,373	$1,387	$1,390	$1,397	$1,407	$1,416	$1,530
1-Year Growth Rate	*0.7%*	*1.7%*	*1.4%*	*1.0%*	*1.5%*	*1.9%*	*1.4%*	*0.6%*	*1.1%*	*0.9%*	*1.3%*	*0.5%*	*0.8%*	*1.8%*	*0.2%*	*0.5%*	*0.8%*	*0.7%*	*8.7%*
Florin Road West	$1,225	$1,233	$1,275	$1,272	$1,280	$1,305	$1,317	$1,328	$1,335	$1,350	$1,348	$1,353	$1,368	$1,363	$1,358	$1,359	$1,371	$1,389	$1,495
1-Year Growth Rate	*-1.0%*	*0.6%*	*3.4%*	*-0.2%*	*0.7%*	*1.9%*	*0.9%*	*0.8%*	*0.6%*	*1.1%*	*-0.1%*	*0.3%*	*1.1%*	*-0.4%*	*-0.4%*	*0.1%*	*0.9%*	*1.3%*	*9.0%*
South/Elk Grove	$954	$1,004	$1,031	$1,048	$1,055	$1,089	$1,143	$1,148	$1,163	$1,173	$1,197	$1,238	$1,247	$1,281	$1,278	$1,280	$1,279	$1,289	$1,401
1-Year Growth Rate	*-0.8%*	*5.3%*	*2.7%*	*1.6%*	*0.7%*	*3.2%*	*4.9%*	*0.4%*	*1.3%*	*0.9%*	*2.0%*	*3.4%*	*0.8%*	*2.7%*	*-0.2%*	*0.2%*	*-0.1%*	*0.8%*	*9.5%*

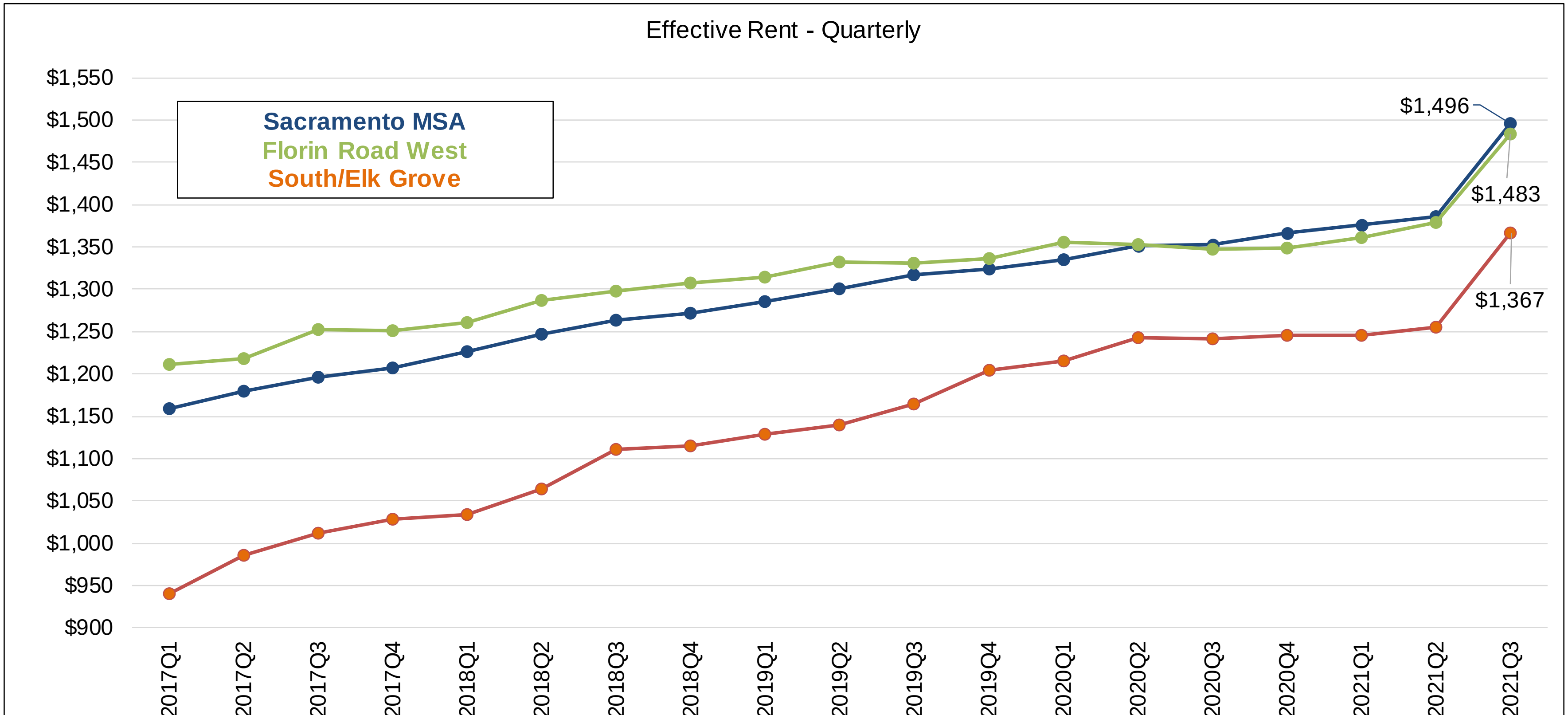
Effective Rents – Annually



Source: REIS Services

Effective Rent	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021Q3	2021Y	2022Y	2023Y	2024Y
Sacramento MSA	$875	$895	$866	$884	$899	$927	$950	$980	$1,067	$1,154	$1,207	$1,271	$1,324	$1,366	$1,496	$1,506	$1,572	$1,630	$1,691
1-Year Growth Rate		*2.2%*	*-3.2%*	*2.0%*	*1.7%*	*3.1%*	*2.5%*	*3.2%*	*8.9%*	*8.1%*	*4.6%*	*5.3%*	*4.2%*	*3.2%*	*9.5%*	*10.2%*	*4.4%*	*3.7%*	*3.7%*
Florin Road West	$907	$933	$925	$942	$974	$1,011	$1,036	$1,076	$1,150	$1,227	$1,252	$1,308	$1,336	$1,349	$1,483	$1,490	$1,546	$1,594	$1,636
1-Year Growth Rate		*2.9%*	*-0.9%*	*1.9%*	*3.4%*	*3.8%*	*2.5%*	*3.8%*	*7.0%*	*6.7%*	*2.0%*	*4.5%*	*2.2%*	*0.9%*	*10.0%*	*0.4%*	*3.8%*	*3.1%*	*2.6%*
South/Elk Grove	$704	$727	$715	$730	$736	$767	$800	$824	$911	$948	$1,028	$1,115	$1,205	$1,246	$1,367	$1,379	$1,449	$1,509	$1,596
1-Year Growth Rate		*3.3%*	*-1.7%*	*2.1%*	*0.8%*	*4.3%*	*4.2%*	*3.1%*	*10.6%*	*4.0%*	*8.5%*	*8.4%*	*8.1%*	*3.4%*	*9.7%*	*0.9%*	*5.1%*	*4.1%*	*5.8%*

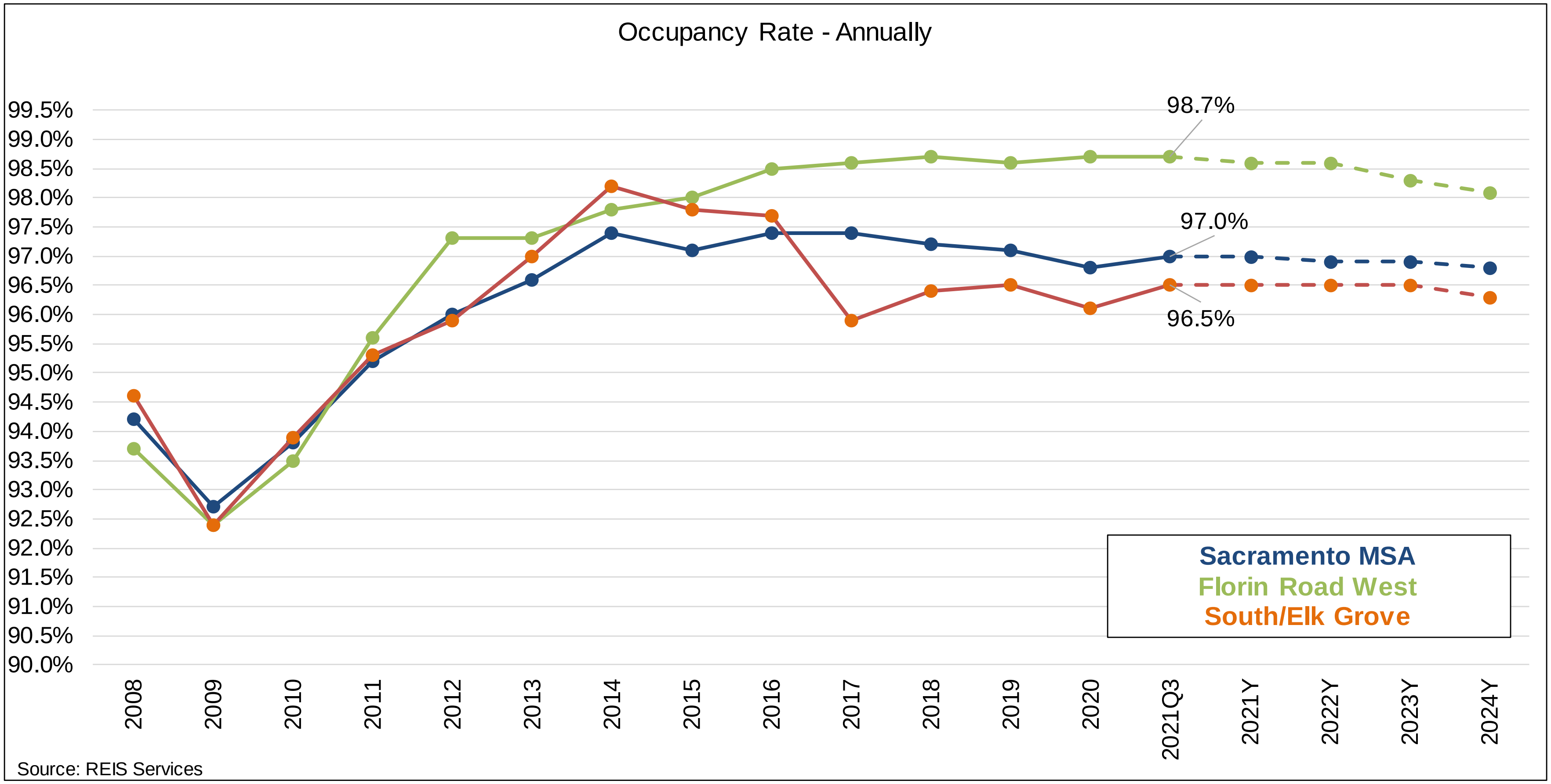
Effective Rents – Quarterly



Source: REIS Services

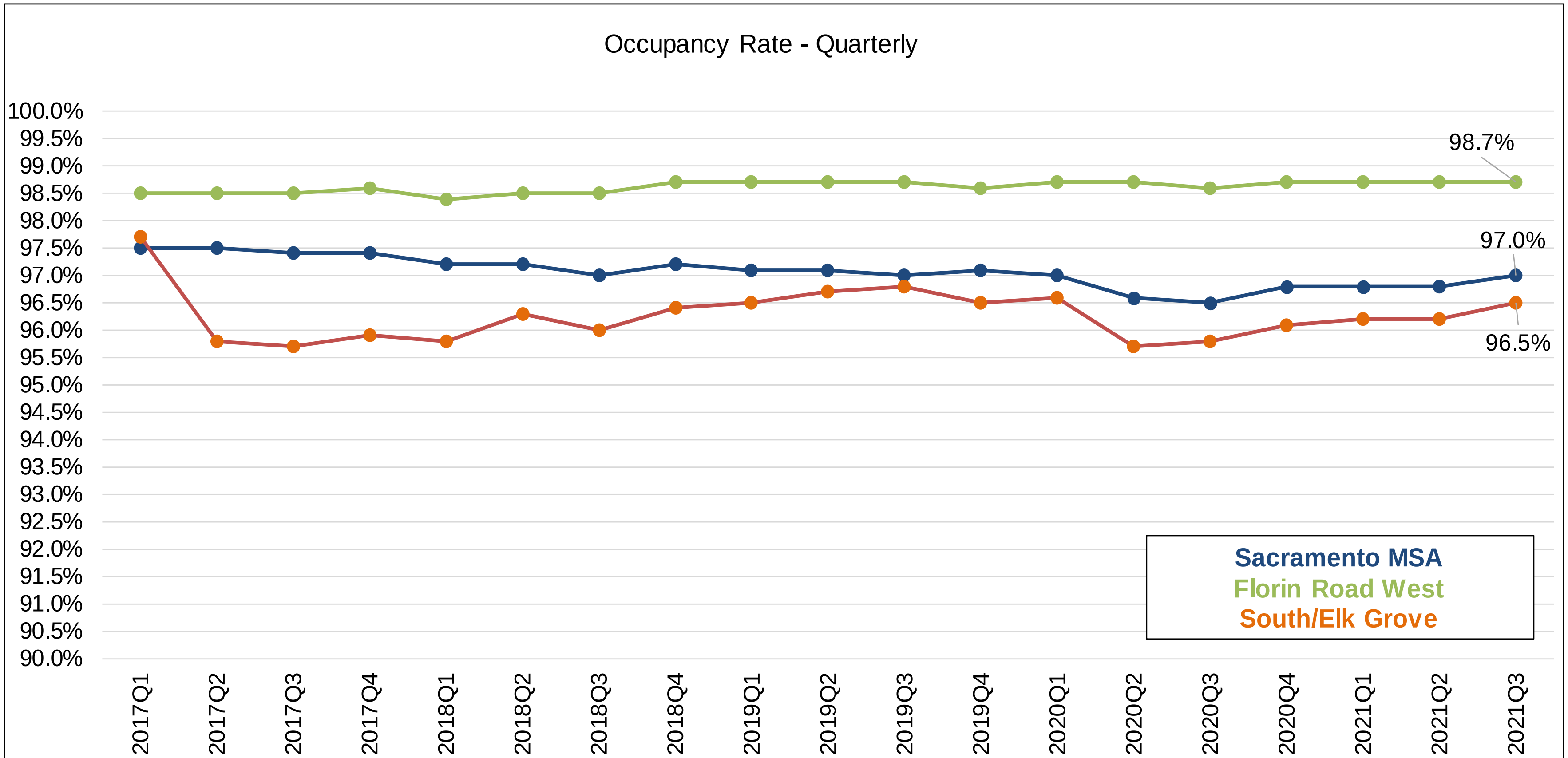
Asking Rent	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3
Sacramento MSA	$1,159	$1,179	$1,196	$1,207	$1,226	$1,247	$1,264	$1,271	$1,286	$1,300	$1,317	$1,324	$1,336	$1,351	$1,353	$1,366	$1,376	$1,386	$1,496
1-Year Growth Rate	*-2.1%*	*1.7%*	*1.4%*	*1.0%*	*1.6%*	*1.7%*	*1.4%*	*0.6%*	*1.2%*	*1.1%*	*1.3%*	*0.5%*	*0.9%*	*2.0%*	*0.1%*	*1.0%*	*0.8%*	*0.7%*	*8.7%*
Florin Road West	$1,212	$1,218	$1,253	$1,252	$1,261	$1,287	$1,298	$1,308	$1,315	$1,332	$1,331	$1,336	$1,355	$1,353	$1,347	$1,349	$1,361	$1,378	$1,483
1-Year Growth Rate	*-2.1%*	*0.5%*	*2.9%*	*-0.1%*	*0.7%*	*2.1%*	*0.8%*	*0.7%*	*0.6%*	*1.3%*	*-0.1%*	*0.4%*	*1.4%*	*-0.1%*	*-0.5%*	*0.1%*	*0.9%*	*1.3%*	*9.0%*
South/Elk Grove	$941	$986	$1,011	$1,028	$1,034	$1,064	$1,111	$1,115	$1,128	$1,139	$1,165	$1,205	$1,215	$1,243	$1,241	$1,246	$1,246	$1,256	$1,367
1-Year Growth Rate	*-2.2%*	*4.8%*	*2.6%*	*1.7%*	*0.5%*	*2.9%*	*4.4%*	*0.4%*	*1.2%*	*1.0%*	*2.2%*	*3.5%*	*0.8%*	*2.3%*	*-0.2%*	*0.4%*	*0.0%*	*0.8%*	*9.7%*

Occupancy – Annually



Occupancy Rate	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021Q3	2021Y	2022Y	2023Y	2024Y
Sacramento MSA	94.2%	92.7%	93.8%	95.2%	96.0%	96.6%	97.4%	97.1%	97.4%	97.4%	97.2%	97.1%	96.8%	97.0%	97.0%	96.9%	96.9%	96.8%
Florin Road West	93.7%	92.4%	93.5%	95.6%	97.3%	97.3%	97.8%	98.0%	98.5%	98.6%	98.7%	98.6%	98.7%	98.7%	98.6%	98.6%	98.3%	98.1%
South/Elk Grove	94.6%	92.4%	93.9%	95.3%	95.9%	97.0%	98.2%	97.8%	97.7%	95.9%	96.4%	96.5%	96.1%	96.5%	96.5%	96.5%	96.5%	96.3%

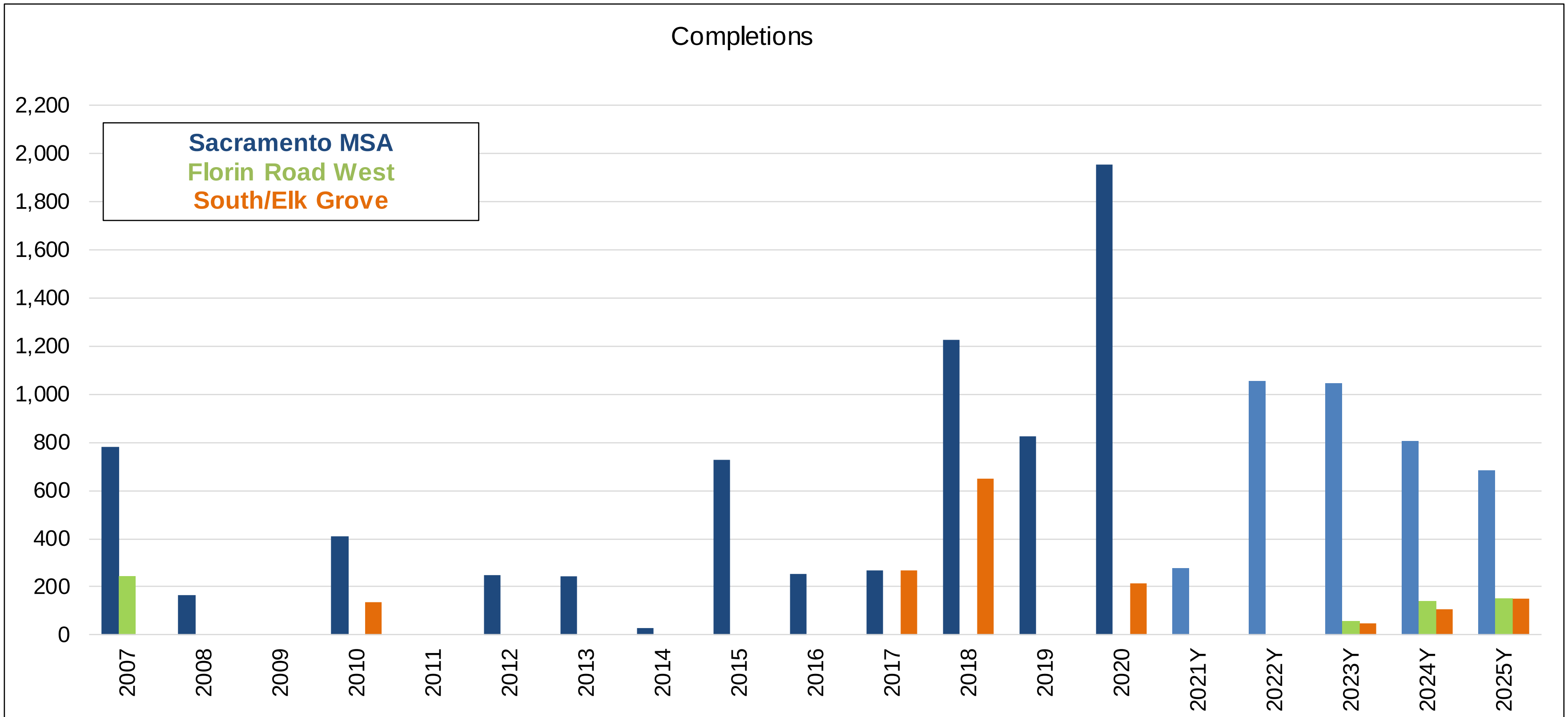
Occupancy – Quarterly



Source: REIS Services

Occupancy Rate	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3
Sacramento MSA	97.5%	97.5%	97.4%	97.4%	97.2%	97.2%	97.0%	97.2%	97.1%	97.1%	97.0%	97.1%	97.0%	96.6%	96.5%	96.8%	96.8%	96.8%	97.0%
Florin Road West	98.5%	98.5%	98.5%	98.6%	98.4%	98.5%	98.5%	98.7%	98.7%	98.7%	98.7%	98.6%	98.7%	98.7%	98.6%	98.7%	98.7%	98.7%	98.7%
South/Elk Grove	97.7%	95.8%	95.7%	95.9%	95.8%	96.3%	96.0%	96.4%	96.5%	96.7%	96.8%	96.5%	96.6%	95.7%	95.8%	96.1%	96.2%	96.2%	96.5%

Completions



Source: REIS Services

Completions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021Y	2022Y	2023Y	2024Y	2025Y
Sacramento MSA	780	168	0	408	0	250	245	29	727	255	268	1,225	825	1,956	277	1,055	1,046	804	685
Florin Road West	244	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	60	143	149
South/Elk Grove	0	0	0	135	0	0	0	0	0	0	268	648	0	213	0	0	46	106	149

POTENTIAL FUTURE SUPPLY

JOHN BURNS
REAL ESTATE CONSULTING
www.realestateconsulting.com

Sacramento Residential Pipeline

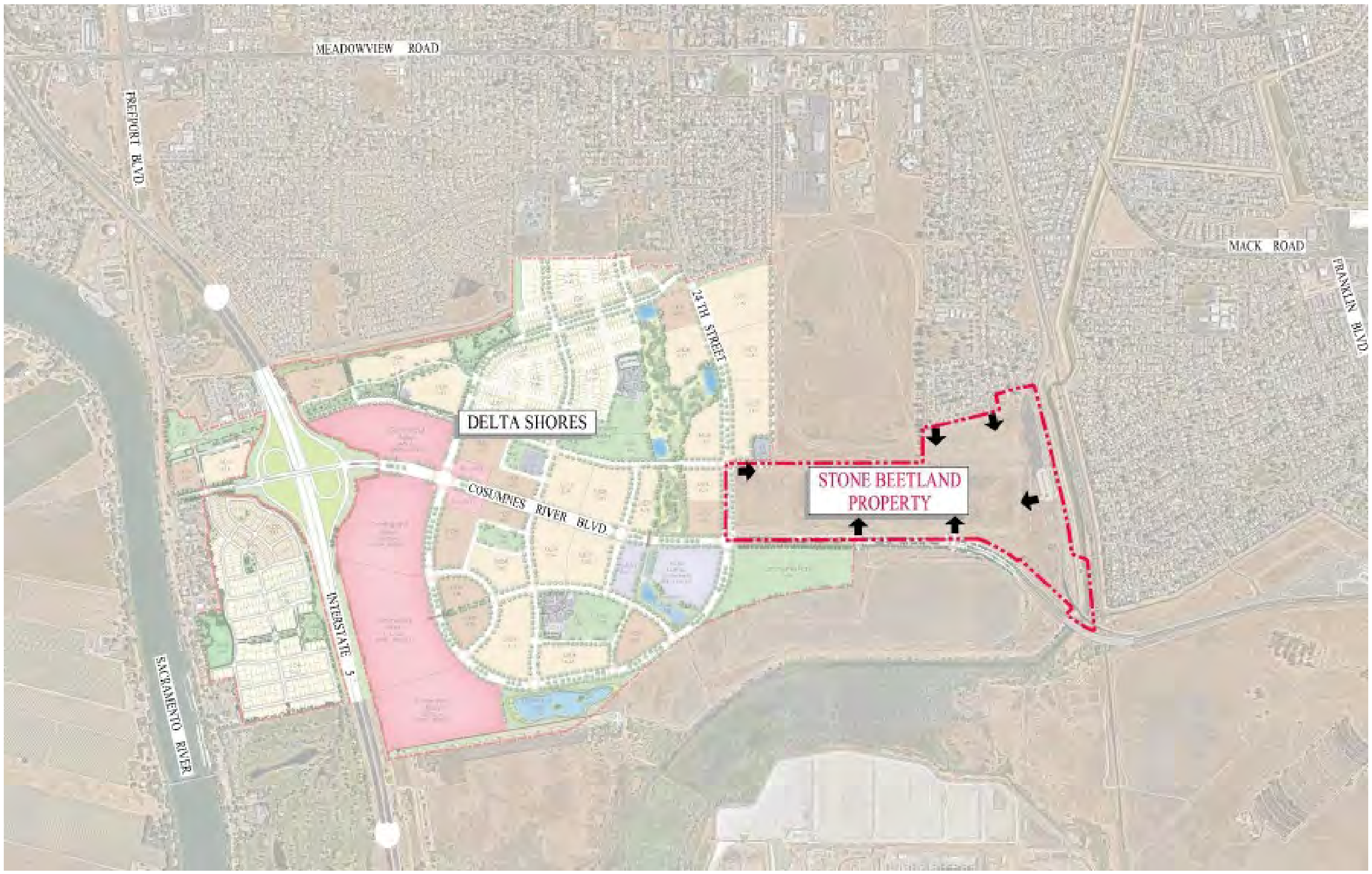
The table below summarizes all residential projects (100+ units) in the Sacramento development pipeline per the Sacramento City Planning Department. Note that there are no substantially sized residential projects planned in the south Sacramento planning area (where the Subject is located) per the Planning Dept. other than Stone Beetland (see following pages). To our knowledge, the only other sizeable residential projects planned in the south Sacramento area are Delta Shores (of which the Subject is a part) and Crocker Village. Crocker Village is currently under construction and includes active for-sale homes and will include rental product. This development will build out over the next two years or more at a relatively low level of activity (e.g., one or two active for-sale neighborhoods, eventually an apartment project and a single-family build-for-rent community). There will also occasionally be infill projects throughout the South Sacramento planning area, like Bridgewater by KB Home or currently active Wickford Square by Next Generation. In terms of near-term rental product, the Klotz Ranch apartments north of the Subject are expected to add 266 apartments in the near future.

SACRAMENTO CITY FUTURE RESIDENTIAL SUPPLY							
Project Name	**Address**	**Current Status**	**Applicant**	**Planning Area**	**Number of Units**	**Development**	**Proposed Use**
Broadway Apartments at The Mill-Phase 4	2570 3RD ST	Approved	29SC Mill IV Property Owner, LLC	CENTRAL CITY	360	New Construction	Multi-Family Residential
Hawthorn Apartments	321 BERCUT DR	Approved	The Ezralow Company	CENTRAL CITY	281	Reuse/Remodel/Rehab	Multi-Family Residential
1705 I Street Mixed Use	1705 I ST	Approved	D&S Development	CENTRAL CITY	206	New Construction	Commercial Mixed Use
Marisol Blocks C & D	320 DOS RIOS ST 308	Approved	McCormack Baron Salazar	CENTRAL CITY	199	New Construction	Multi-Family Residential
Mansion Inn Apartments	700 16TH ST	Approved	SKK Developments	CENTRAL CITY	190	New Construction	Multi-Family Residential
3S Mixed-Use	1900 3RD ST	Approved	Tricap Development, LLC	CENTRAL CITY	190	New Construction	Res Mixed Use
Anthem Cathedral Square	1030 J ST	Approved	Anthem Cathedral Square Holdings, LP	CENTRAL CITY	153	New Construction	Commercial Mixed Use
Railyards Lot 46A Apartments	700 G ST	Approved	USA Properties Fund, Inc.	CENTRAL CITY	150	New Construction	Multi-Family Residential
On-Broadway Apartments	1901 BROADWAY	Approved	LPAS Architecture + Design	CENTRAL CITY	150	New Construction	Res Mixed Use
Wong Center Senior Apartments	631 F ST	Approved	Mutual Housing of California	CENTRAL CITY	150	New Construction	Multi-Family Residential
Anthem 15S Mixed-Use	1500 S ST	Approved	Anthem Properties / Anthem United	CENTRAL CITY	137	New Construction	Commercial Mixed Use
Capitol Park Hotel Remodel	1121 9TH ST	Approved		CENTRAL CITY	134	Reuse/Remodel/Rehab	Multi-Family Residential
1619 R Street	1619 R ST	In Progress		CENTRAL CITY	104	New Construction	Res Mixed Use
65 East Modification	6800 FOLSOM BLVD	Approved	Symphony Development	EAST SACRAMENTO	223	New Construction	Res Mixed Use
Theory Student Housing	5900 NEWMAN CT	In Progress	Peak Campus	EAST SACRAMENTO	210	New Construction	Multi-Family Residential
Opus at Folsom and Elvas	6661 FOLSOM BLVD	In Progress	The Opus Group	EAST SACRAMENTO	143	New Construction	Multi-Family Residential
Opus at Folsom and Elvas	6661 FOLSOM BLVD	In Progress	The Opus Group	EAST SACRAMENTO	143		
7700 College Town Mixed-Use	7700 COLLEGE TOWN DR	Approved	Kuchman Architects PC	EAST SACRAMENTO	101	New Construction	Res Mixed Use
Maven on 5th Street	2629 5TH ST	In Progress	29th Street Management III, LLC	LAND PARK	308	New Construction	Multi-Family Residential
Northlake Senior Apartments		Approved	St. Anton / Hurley Construction	N/A	191	New Construction	Multi-Family Residential
Natomas II Apartments	3991 E COMMERCE WAY	Approved	The Spanos Corporation	NORTH NATOMAS	472	New Construction	Multi-Family Residential
Tanzanite	3575 AIRPORT RD	Approved		NORTH NATOMAS	135	New Construction	1 or 2 Family Res/2nd Unit
Residence Inn Sacramento	610 LEISURE LN	Approved	PEG Companies	NORTH SACRAMENTO	178	New Construction	Hotel/Motel/B&B
Klotz Ranch Apartments	7699 KLOTZ RANCH CT	Approved	The Spanos Corporation	POCKET	266	New Construction	Multi-Family Residential
Sutter Greens 2.0 Apartments	2450 NATOMAS PARK DR	Applied	Demmon Partners	SOUTH NATOMAS	190	New Construction	Multi-Family Residential
ParkeBridge Phase 4	1414 BRIDGEGATE WAY	Approved	DR Horton CA2, Inc.	SOUTH NATOMAS	108	New Construction	1 or 2 Family Res/2nd Unit
				Total	**5,072**		

Source: City of Sacramento Planning Department

Future Supply – Stone Beetland

One major development not included in this analysis (as it is still conceptual) is Stone Beetland, a 141.2-acre property just northeast of Delta Shores Area 2. The developer, Taylor Builders, recently submitted a land-use map that indicates they plan about 1,160 residential units with densities that translate roughly into a product array similar to the Subject. This project is immediately west of the Morrison Creek light rail station and will have a transit-oriented village as part of the overall development. It is likely Stone Beetland starts development after the Subject, but it is possible the marketing of both properties will coincide.



Source: City of Sacramento Planning Department

Future Supply – Stone Beetland

The graphic below displays the various land use densities at Stone Beetland.

LAND USE SUMMARY				
COLOR	VILLAGE	USE	KEY	ZONING
	WEST/NORTH VILLAGES	LOW DENSITY RESIDENTIAL	LDR	R1-A
	CENTRAL VILLAGE	MEDIUM DENSITY RESIDENTIAL	MDR	TABLE 2-1 OF PUD
	TRANSIT VILLAGE	HIGH DENSITY RESIDENTIAL	HDR	R-4
	TRANSIT VILLAGE	COMMERCIAL MIXED USE	CMU	C-1
	NORTH/TRANSIT VILLAGES	REGIONAL TRANSIT STATION AND EASEMENTS	RT	-
	ALL VILLAGES	PARK/BASIN/OPEN SPACE	P/B/OS	-
	ALL VILLAGES	ROADWAYS	RW	-

PUD SCHEMATIC PLAN

STONE BEETLAND

CITY OF SACRAMENTO SACRAMENTO COUNTY CALIFORNIA

SCALE: 1" = 200' DATE: NOVEMBER 3, 2021

cbg

CIVIL ENGINEERS • SURVEYORS • PLANNERS

Source: City of Sacramento Planning Department

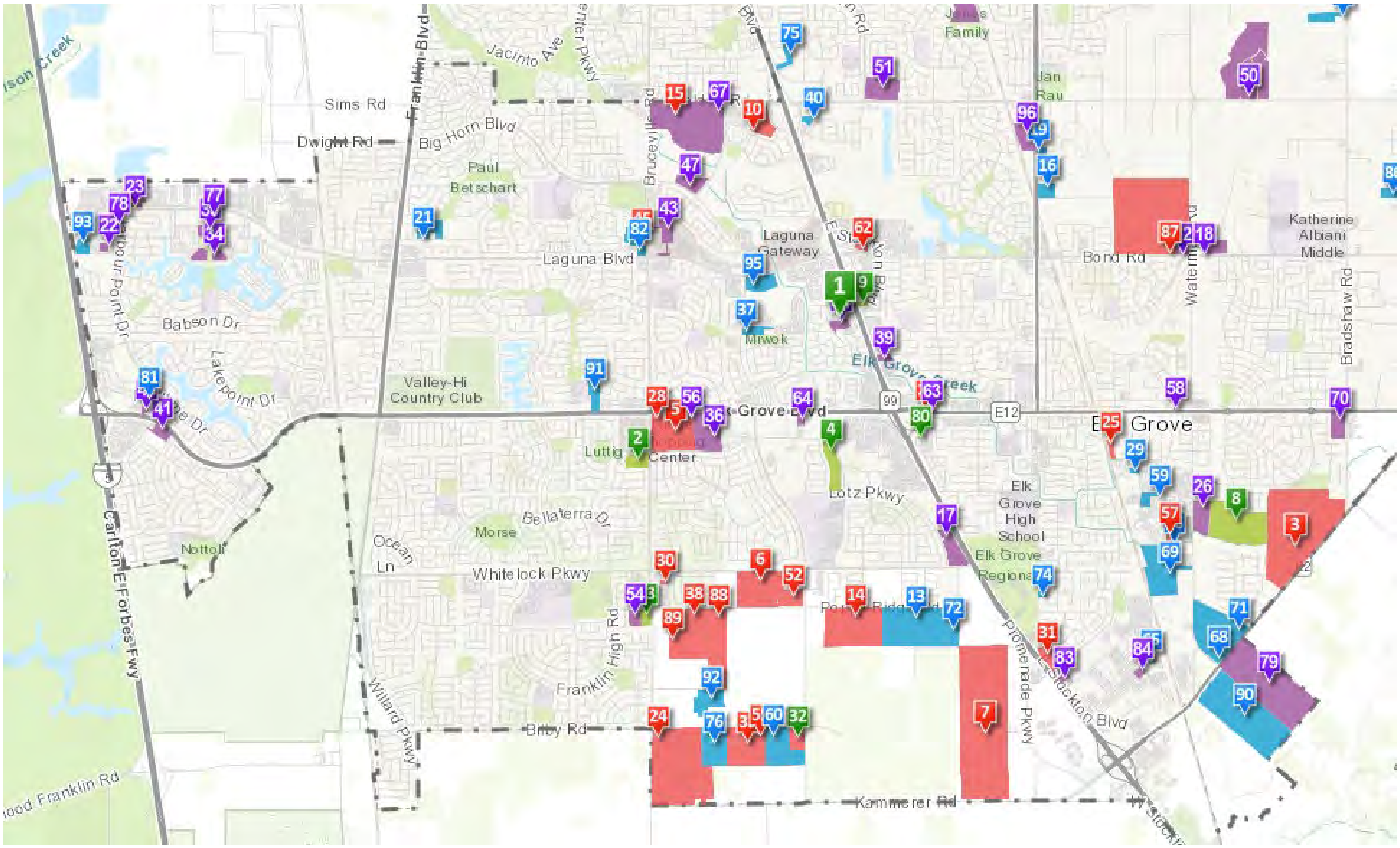
Elk Grove Residential Pipeline

The table below summarizes all residential projects in the pipeline in the western portion of Elk Grove (west and directly east of Highway 99) per the City of Elk Grove Planning Department. The following page contains a map showing the locations of these projects (though note that not all items on the map are included in this table since they were non-residential).

WEST ELK GROVE FUTURE RESIDENTIAL SUPPLY									
Map #	Project Name	Location	Approval Status	Poduct Type	For Sale	For Rent	Number of Units	Units Sold/ Leased	Units Remaining
6	Madeira South (Poppy Lane)	North and South of Poppy Ridge Road	Under Constr.	SFD	x		460	246	214
7	Sterling Meadows	North of Kammerer Road, 1/2 Mile West of Grant Line Road	Under Constr.	SFD	x		1,184	659	525
13	Poppy Keys Southeast	South of Poppy Ridge road, and East of Big Horn Blvd	In Plan Review	SFD	x		326	0	326
14	Poppy Keys Southwest	South of Poppy Ridge road, and East of Big Horn Blvd	Under Constr.	SFD	x		267	0	267
15	Sheldon Farms North	S of Sheldon Rd, between Bruceville Rd and Lewis Stein	Under Constr.	SFD	x		517	0	517
21	Tegan Estates	5201 Tegan Road	In Plan Review	SFD	x		41	0	41
24	Bruceville Meadows Residential	10425 Bruceville Road	Under Constr.	SFD	x		331	263	68
33	Mendes Subdivision	West of McMillan Road and South of Bilby Road	Under Constr.	SFD	x		216	0	216
38	McGeary Ranch	South side of Poppy Ridge Road, East of Bruceville Road	Under Constr.	SFD	x		227	78	149
89	McGeary Ranch Village 2	East side of Bruceville Rd at Machado Ranch Dr	Under Constr.	SFD	x		241	0	241
88	Tuscan Ridge West	South side of Poppy Ridge Rd 2000' East of Bruceville Rd	Under Constr.	SFD	x		100	0	100
52	Madeira South Lot A Master House Plans	NW Intersection of Poppy Ridge Road and Big Horn Blvd	Under Constr.	SFD	x		N/A	0	-
55	Seasons at Stonebrook Master Home Plan	Bilby Rd and Angsley Dr	Under Constr.	SFD	x		102	34	68
60	Mendes Villages 2 & 3	Bilby Road and McMillan Road	In Plan Review	SFD	x		114	0	114
10	Sheldon Terrace	South of Sheldon Rd, West of Hwy 99	Under Constr.	SFD	x		175	0	175
67	Sheldon Farms MHP	S of Sheldon Rd between Bruceville Rd and Lewis Stein Rd	Approved	SFD	x		N/A	0	-
76	Telos Greens TSM	S of Bilby Rd, just east of Montaria Way	In Plan Review	SFD	x		85	0	85
						Total	**4,386**	**1,280**	**3,106**
34	Toscano Apartments	Laguna Court	Approved	APT		x	206	0	206
35	Laguna Main Street Apartments	Laguna Main Street (and south of Vaux)	Approved	APT		x	150	0	150
54	Quail Run II	South side of Quail Run Ln and Tuzza Ct intersection	Approved	APT		x	108	0	108
75	Bow Stockton Apartments	8676 Bow Street and 8717 E Stockton Boulevard	In Plan Review	APT		x	120	0	120
						Total	**584**	**0**	**584**

Source: City of Elk Grove Planning Department, The Ryness Report

Elk Grove Residential Pipeline

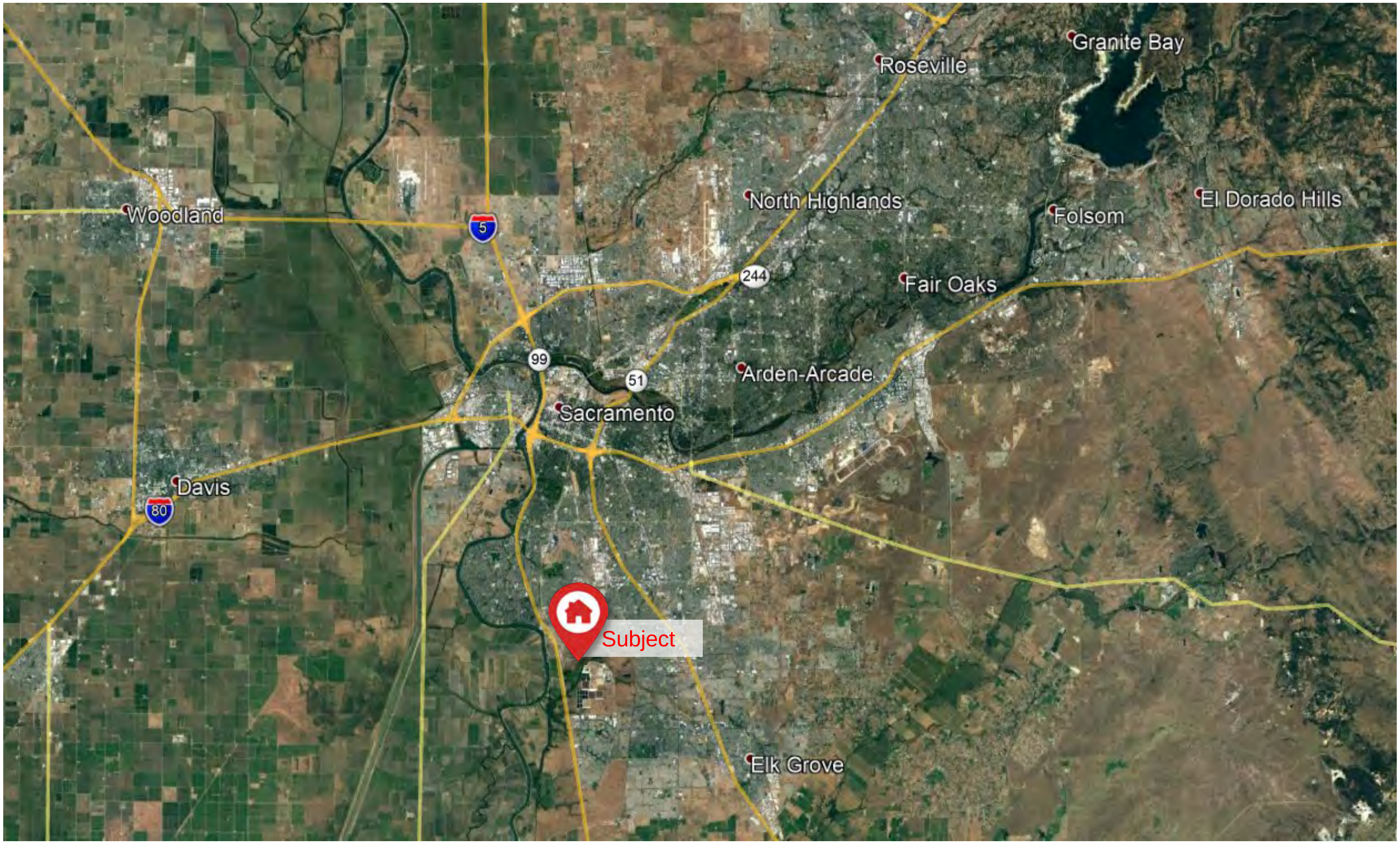


Source: Elk Grove City Planning Department

LOCATION & PROPERTY ANALYSIS

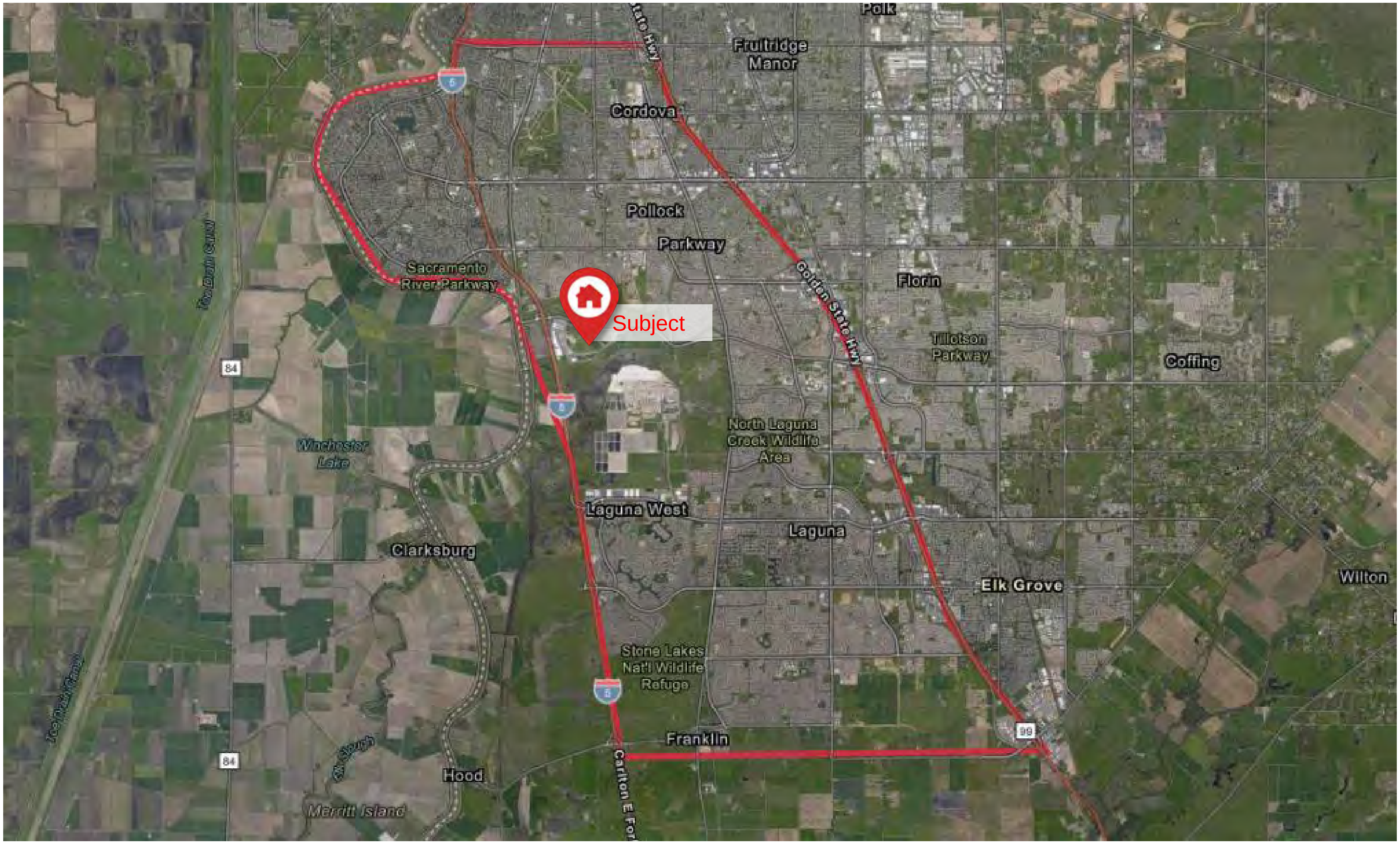
Regional Location

The Delta Shores Improvement Area 2 lies just east of I-5 and south of Cosumnes River Boulevard in South Sacramento. It is approximately 11 miles south of downtown Sacramento and a few miles north of the western portion of Elk Grove.



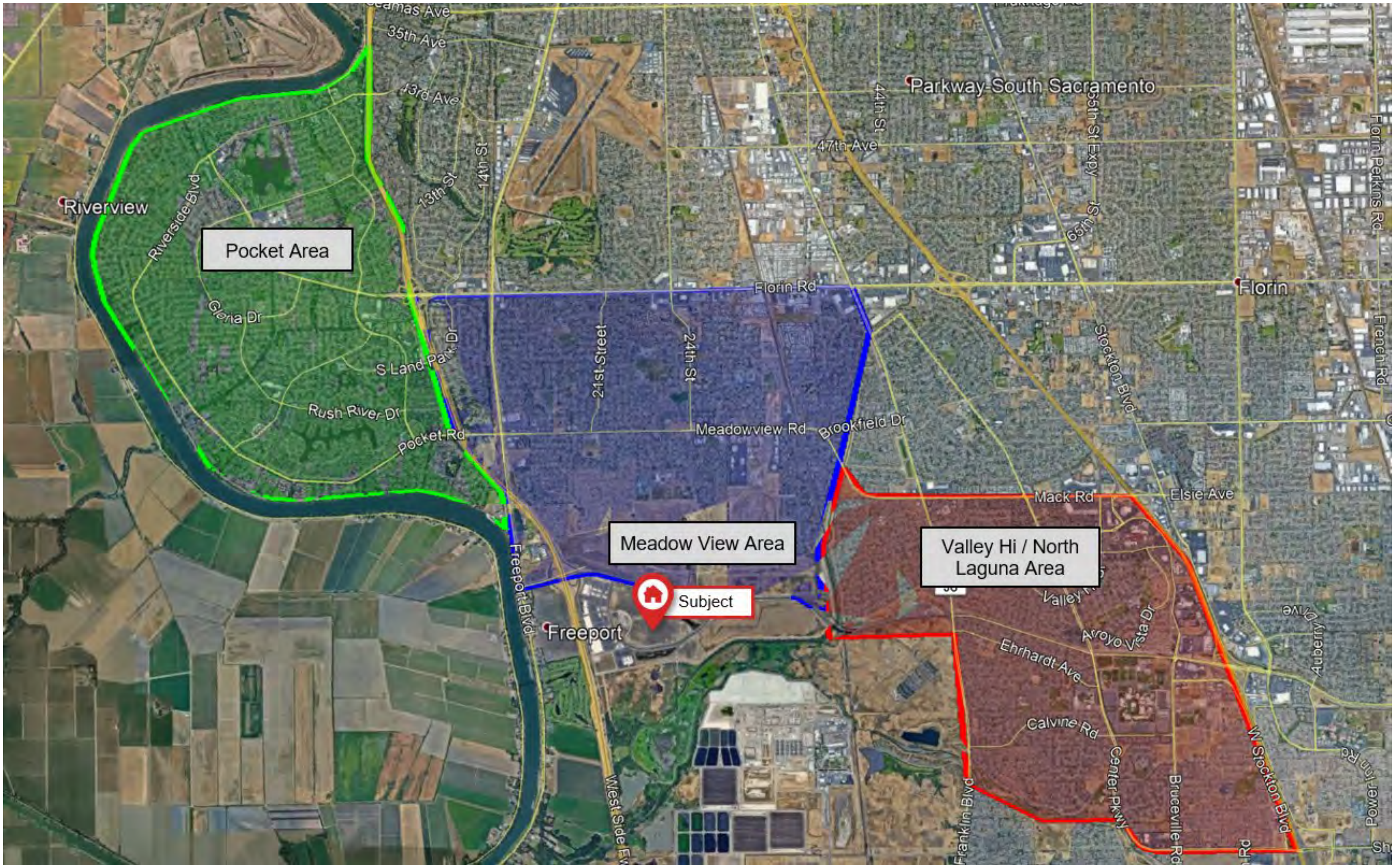
Subject Area

The Subject Area is displayed below. This area was used to gather Subject Area demographic data examined later in the report.



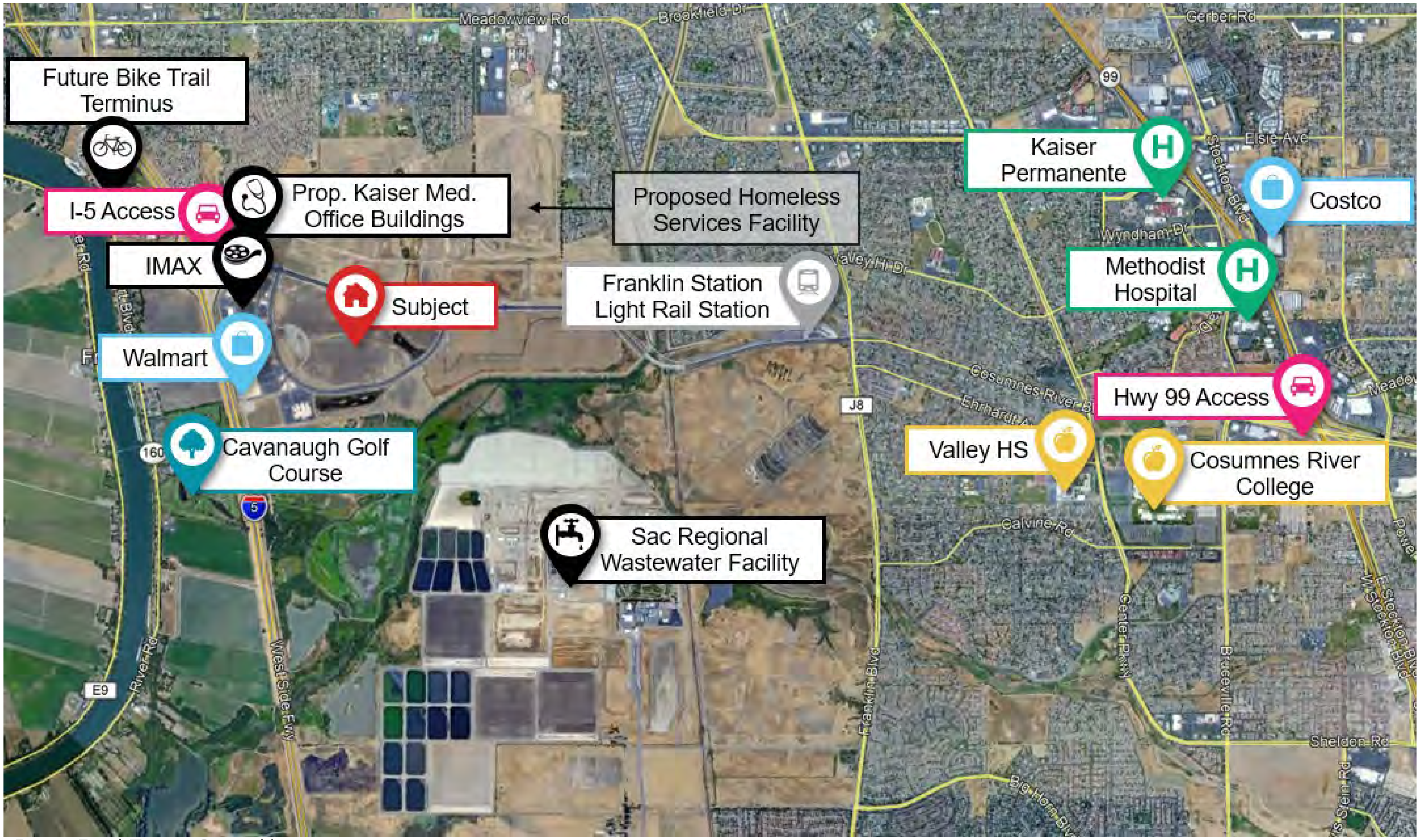
Immediate Subject Areas

The Immediate Subject Areas displayed below were used to gather the most relevant resales for the Subject's for-sale product.



Neighborhood Land Uses & Services

The Subject is easily accessible from Interstate 5. It is adjacent east of the Delta Shores retail center, which includes a Walmart, PetSmart, Dick's Sporting Goods, Hobby Lobby and several other retail and food establishments. Additional retail and services are along Highway 99. The Subject is just north of the Sacramento Regional Wastewater Treatment Plant and south of a proposed homeless services facility (see further discussion earlier in this report). The homeless center has very uncertain timing and its ultimate use is yet to be determined, though the most immediate use will be for safe parking (number of spaces to be determined).



Site Map

Subject outlined in blue below and not that the community park to east is also part of the Subject.

Source: Client

Photography


Subject – From West Facing East


Subject – From North Facing South

Wickford Square by Next Generation Capital


Vasari Apartments

Schools

The Subject will be served by the Sacramento City Unified School District. The Subject's schools, displayed below, are both rated below average per Great Schools. Note that there is also a planned elementary school within the Subject (see location above page 79).

Source: Sacramento City Unified School District, GreatSchools.org

MSA ECONOMIC AND HOUSING MARKET TRENDS:

SACRAMENTO MSA

Population and Employment Change

In the early 2000s, the Sacramento MSA's population experienced tremendous growth. Population growth has since eased and has averaged a net annual average increase of about 22,000 since 2013. We project that population growth will average about 15,800 per year through 2025.

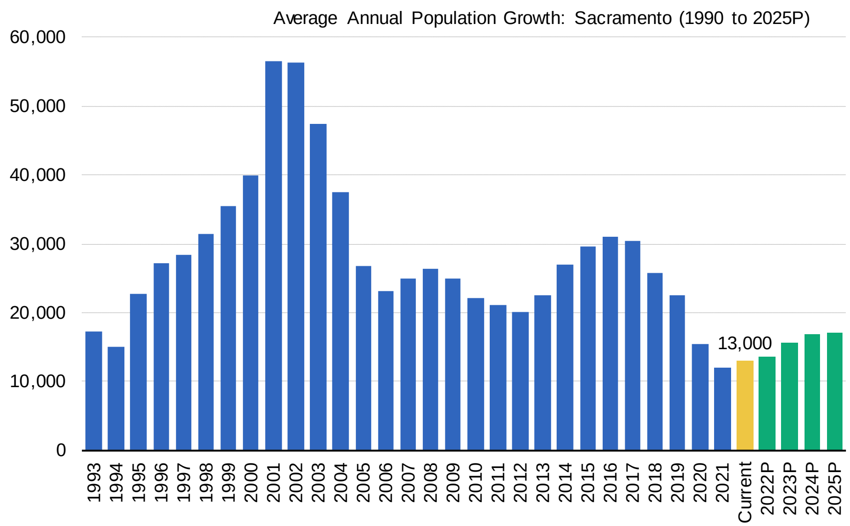
Employment levels plummeted in 2020 due to COVID-19 but have since been recovering strongly (net 51,300 jobs gained YOY). The current unemployment rate is now 4.3%, a notable improvement from the 2020 peak unemployment rate of 8.7%. Employment data is as of February 2022.

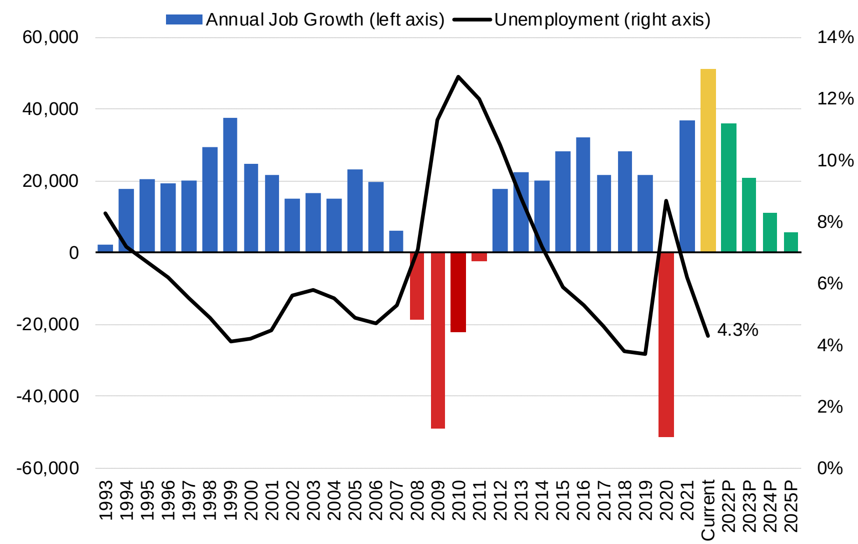
Population Change

2022P	2023P	2024P	2025P
13,600	15,700	16,800	17,100
0.6%	0.6%	0.7%	0.7%

Employment Change

2022P	2023P	2024P	2025P
35,900	20,800	11,200	5,800
3.6%	2.0%	1.1%	0.5%



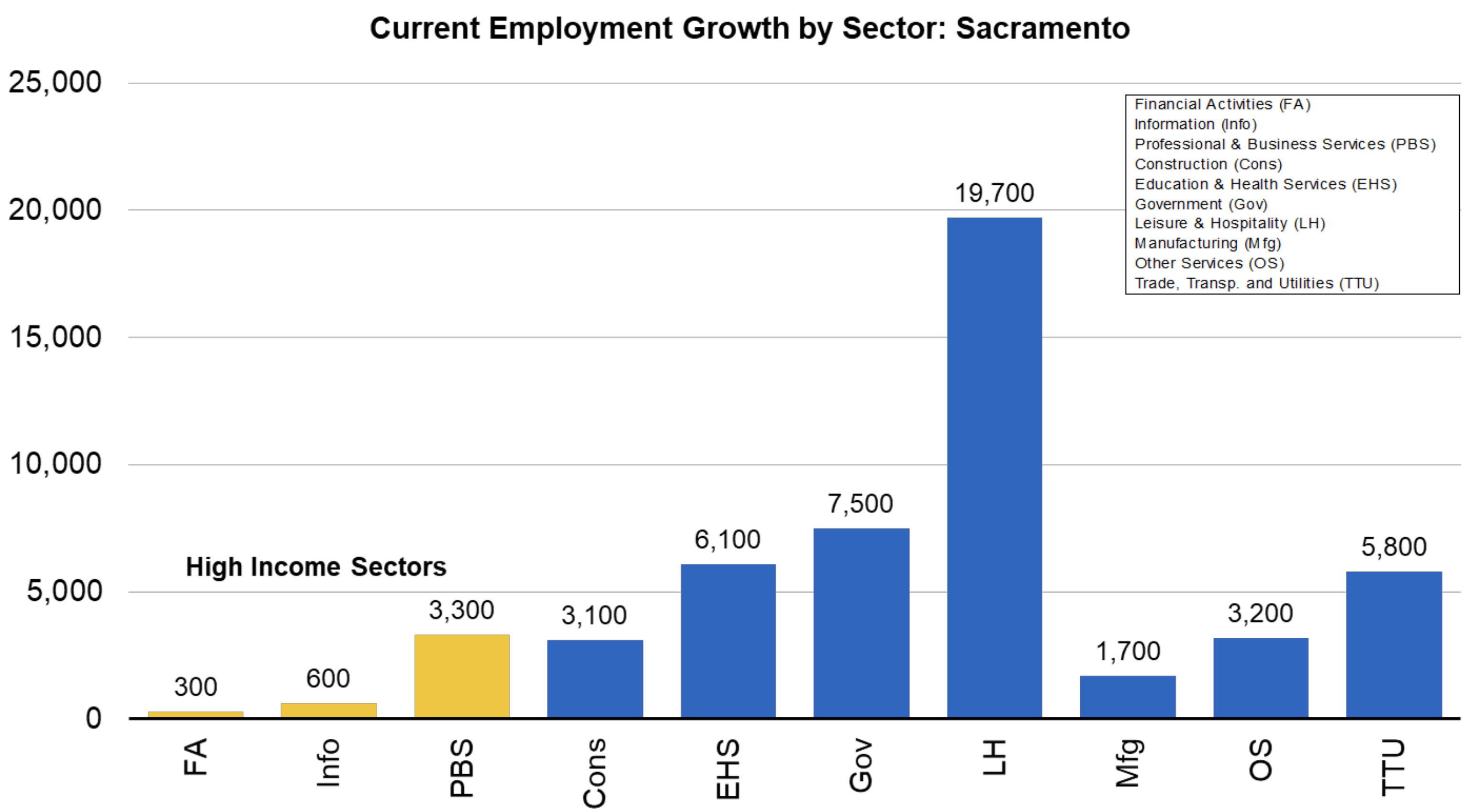


Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics (BLS) with JBREC forecasts (Data as of February 2022, projections as of April 2022)

Sacramento

Market Health: Employment Growth by Sector

All job sectors in the Sacramento MSA have seen a YOY net gain in jobs linked to the economic recovery coming out of the COVID-19 pandemic. The most significant increases in employment occurred in the Leisure & Hospitality (LH) and Other Services (OS) sectors. The Government (Gov) and Education & Health Services (EHS) sectors have seen solid growth as well. As seen in the previous page, we project continued job growth through 2025.



Sources: U.S. Bureau of Labor Statistics (BLS); John Burns Real Estate Consulting, LLC (Data as of February 2022, projections as of April 2022)

Permits and Employment Relationship

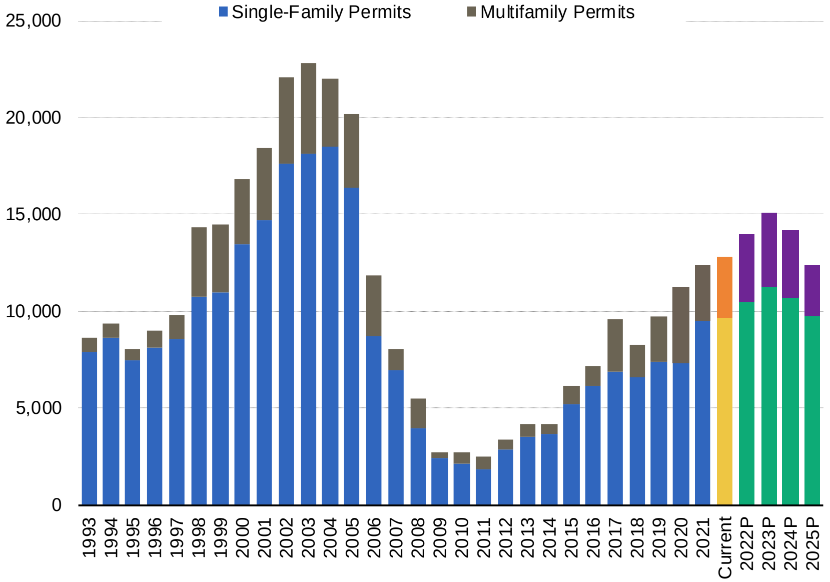
Permit levels in Sacramento shrunk to remarkable lows during and following the downturn in the late 2000s. Permit levels have since increased and are currently close to levels last seen in 2006. About 75% of current permits are single-family permits. We project the ratio of single-family to multifamily permits will remain similar through 2025.

The E/P Ratio (new jobs divided by permitted dwelling units) can be a leading indicator, as permits respond to job-based migration.

- >1.2:1 generally means healthy housing demand
- The MSA ratio is currently 4.0:1. This is influenced by significant employment recovery coming out of the COVID-19 pandemic. We predict this ratio will remain strong through 2023.

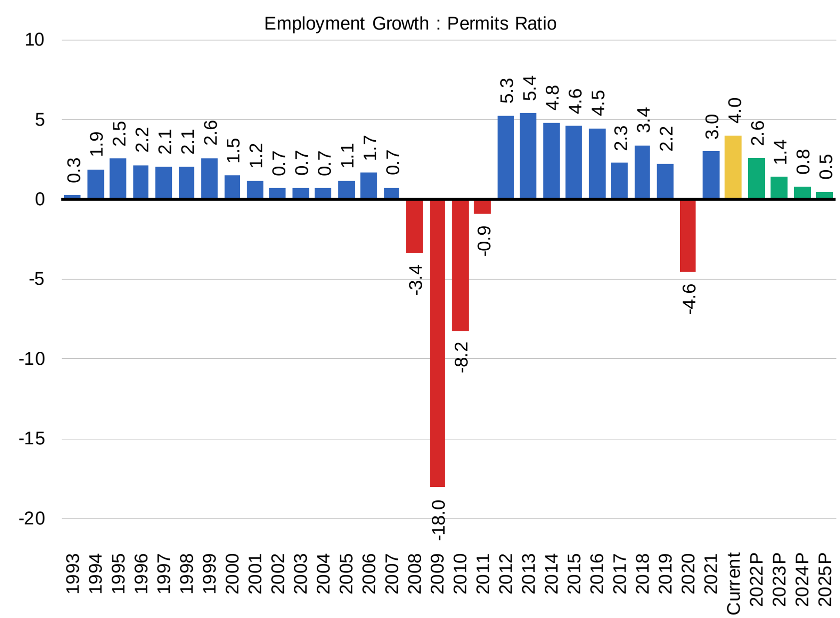
Total Permits

2022P	2023P	2024P	2025P
14,000	15,100	14,200	12,400



Employment Growth : Permits Ratio

2022P	2023P	2024P	2025P
2.6	1.4	0.8	0.5



Sources: U.S. Census Bureau with JBREC forecasts (Data as of February 2022, projections as of April 2022)

Sacramento

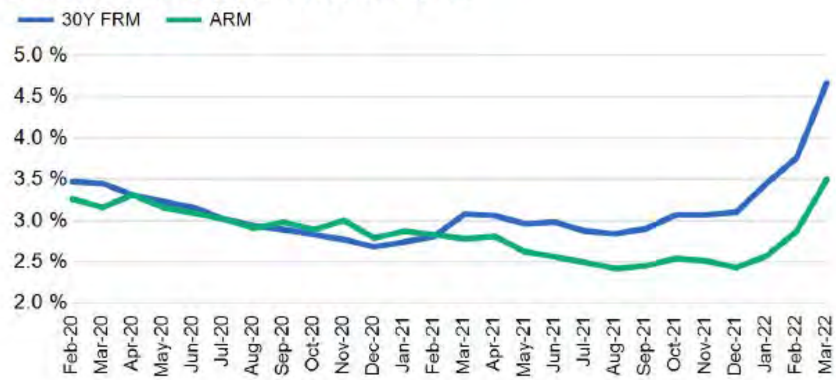
Mortgage Rates

Note that mortgage rate projections have been updated since this table was prepared. See earlier in this report for those updated figures.

Sacramento, CA
April 2022

	Current	YOY Change	1-Yr. Ago	2-Yr. Average	5-Yr. Average
	4.7%	1.6%	3.1%	3.1%	3.7%

MONTH-BY-MONTH MORTGAGE RATE



ANNUAL AVERAGE MORTGAGE RATE

Monthly Data			Annual Averages		
	Fixed	ARM		Fixed	ARM
Mar-20	3.5%	3.2%	2001	7.0%	5.8%
Apr-20	3.3%	3.3%	2002	6.5%	4.6%
May-20	3.2%	3.2%	2003	5.8%	3.8%
Jun-20	3.2%	3.1%	2004	5.8%	3.9%
Jul-20	3.0%	3.0%	2005	5.9%	5.3%
Aug-20	2.9%	2.9%	2006	6.4%	6.1%
Sep-20	2.9%	3.0%	2007	6.3%	6.1%
Oct-20	2.8%	2.9%	2008	6.0%	5.7%
Nov-20	2.8%	3.0%	2009	5.0%	4.8%
Dec-20	2.7%	2.8%	2010	4.7%	3.8%
Jan-21	2.7%	2.9%	2011	4.5%	3.3%
Feb-21	2.8%	2.8%	2012	3.7%	2.8%
Mar-21	3.1%	2.8%	2013	4.0%	2.9%
Apr-21	3.1%	2.8%	2014	4.2%	3.0%
May-21	3.0%	2.6%	2015	3.9%	2.9%
Jun-21	3.0%	2.6%	2016	3.7%	2.9%
Jul-21	2.9%	2.5%	2017	4.0%	3.2%
Aug-21	2.8%	2.4%	2018	4.5%	3.8%
Sep-21	2.9%	2.5%	2019	3.9%	3.6%
Oct-21	3.1%	2.5%	2020	3.1%	3.1%
Nov-21	3.1%	2.5%	2021	3.0%	2.6%
Dec-21	3.1%	2.4%	2022P	4.8%	4.5%
Jan-22	3.5%	2.6%	2023P	4.8%	4.5%
Feb-22	3.8%	2.9%	2024P	4.5%	4.2%
Mar-22	4.7%	3.5%	2025P	4.2%	3.9%

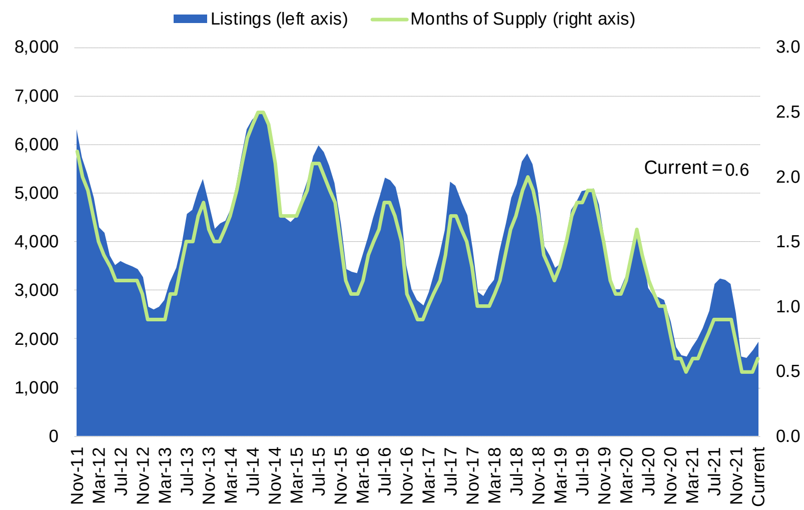
Note: The current rate is the last week of the month.

Resale Market

Months of supply (ratio of homes listed for sale to average monthly sales) depicts housing surpluses or shortages.

- 4-5 months generally means equilibrium, though recent norms have been below these levels.
- Current supply is 0.6 months and has averaged 1.2 months since 2017.

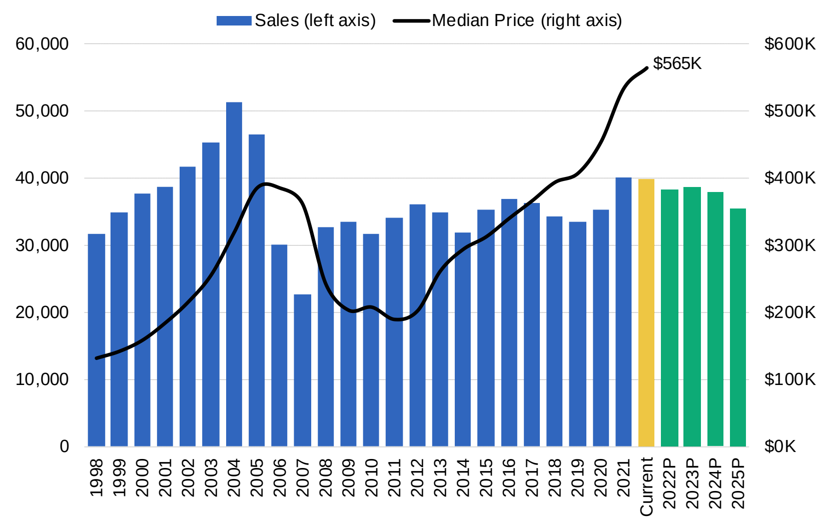
Resale Listings		Months of Supply	
Current	Year-Ago	Current	Year-Ago
1,936	1,823	0.6	0.6



Sources: John Burns Real Estate Consulting, LLC MOS Estimate; TrendGraphix (Data as of March 2022, projections as of April 2022)

Existing home sales volume trended slightly down each year between 2017 and 2019 but increased again in 2020. Sales volume for the last 12 months is notably greater than sales volume in 2017-2019. We project sales volume will remain relatively steady in the coming years, averaging about 37,650 sales per year between 2022 and 2025.

Resale Volume & Price			
2022P	2023P	2024P	2025P
38,400	38,800	37,900	35,500
-4.2%	1.0%	-2.3%	-6.3%



Sacramento

Sources: CoreLogic; Provided by DQNews; John Burns Real Estate Consulting, LLC (Data as of February 2022, projections as of April 2022)

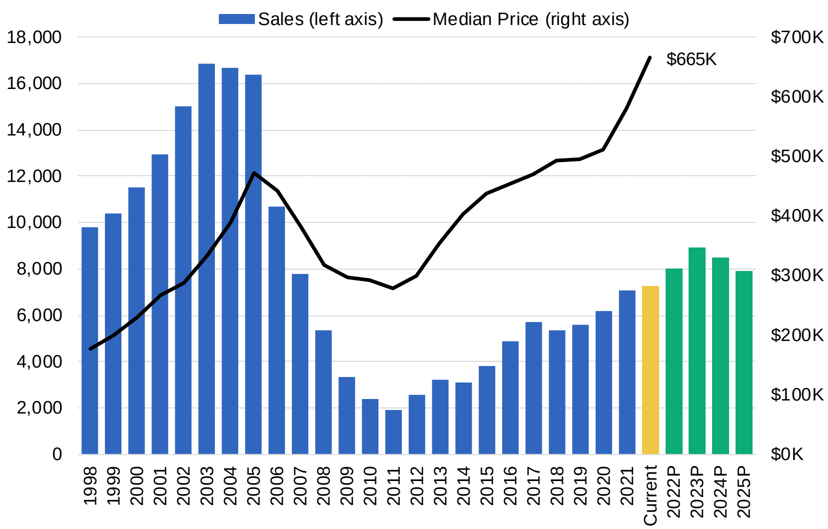
New Home Market

New home sales volume has generally been increasing since the trough in 2011. We project that new home sales volume will increase in 2022 and 2023 before dipping in 2024 and 2025. The current median new home price is $665K, up 25% YOY.

New home price appreciation gradually slowed from 2014 to 2019. New home prices increased again in 2020 due to increased home buying during the COVID-19 pandemic, and 2021 saw significant appreciation. We forecast continued appreciation through 2023. New home prices are projected to decrease in 2024 and 2025 in-line with national trends.

New Home Volume and Price

2022P	2023P	2024P	2025P
8,000	8,900	8,500	7,900
12.9%	11.3%	-4.5%	-7.1%

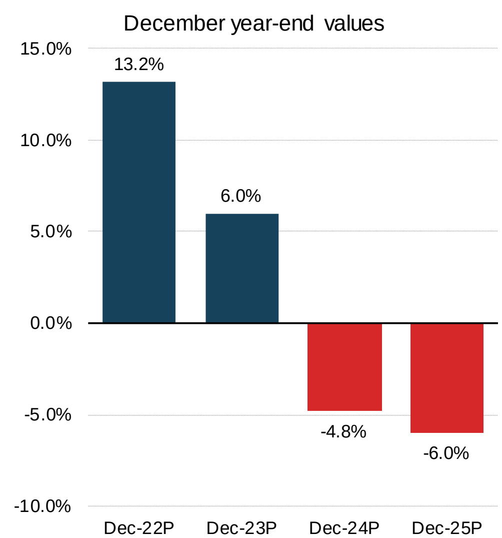


New Home Prices

Historical Prices

Year	Med. Price	YOY%
2002	$288,400	7.9%
2003	$332,600	15.3%
2004	$390,000	17.3%
2005	$471,700	20.9%
2006	$441,300	-6.4%
2007	$382,900	-13.2%
2008	$316,700	-17.3%
2009	$296,400	-6.4%
2010	$292,700	-1.2%
2011	$278,500	-4.9%
2012	$299,800	7.6%
2013	$353,600	17.9%
2014	$403,500	14.1%
2015	$437,700	8.5%
2016	$452,600	3.4%
2017	$470,700	4.0%
2018	$493,700	4.9%
2019	$494,200	0.1%
2020	$511,300	3.5%
2021	$580,600	13.6%

Forecasted Appreciation[1]



Sources: CoreLogic; Provided by DQNews; John Burns Real Estate Consulting, LLC (Data as of February 2022, projections as of April 2022)

Sacramento

Affordability and Value

JBREC's HC/I ratio (Housing costs divided by income*) shows affordability in the Sacramento MSA at 42.6%, above the new normal of 33.5%. We expect affordability to diminish in the coming years (higher percentages = decreased affordability) with the ratio reaching a level last seen in the mid-2000s.

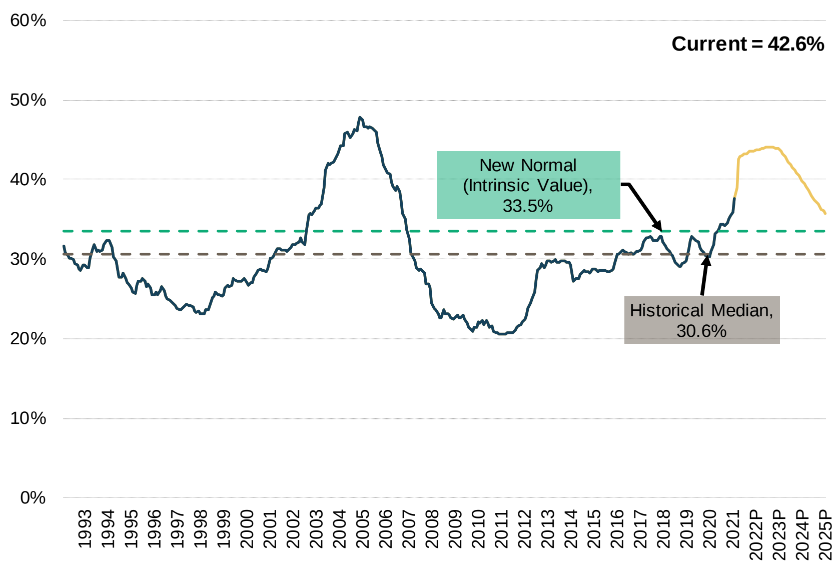
The Burns Home Value Index™ (BHVI) measures home value trends for existing homes. The BHVI indicates current home values in the MSA are up about 20% YOY. We project home values will continue to increase through 2023 before decreasing in 2024 and 2025 following national trends.

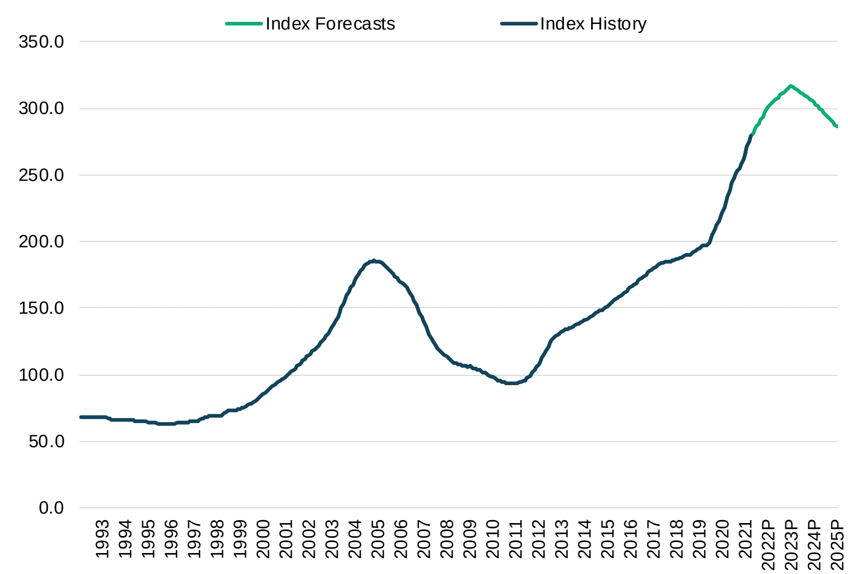
Burns Affordability Index™

2022P	2023P	2024P	2025P
44%	44%	40%	36%

Burns Home Value Index™

2022P	2023P	2024P	2025P
13.2%	5.3%	-4.0%	-6.0%





Sources: John Burns Real Estate Consulting, LLC (Data as of March 2022, projections as of April 2022)

Sacramento

* HC/I ratio = median monthly housing costs (median priced home, 90% LTV, 30-yr fixed rate, PITI plus mortgage insurance) divided by 125% of median income. The "New Normal" reflects fundamental shifts in markets that we believe are now permanently more/less expensive due to increased/decreased demand or limited supply.

The Burns Home Value Index™ (BHVI) provides our view of home value trends in existing single-family homes. Each month's BHVI is based on an "electronic appraisal" of every home in the market, rather than just actual transactions, removing the influence of shifts in mix of home sales. BHVI Methodology

DEMOGRAPHIC TRENDS

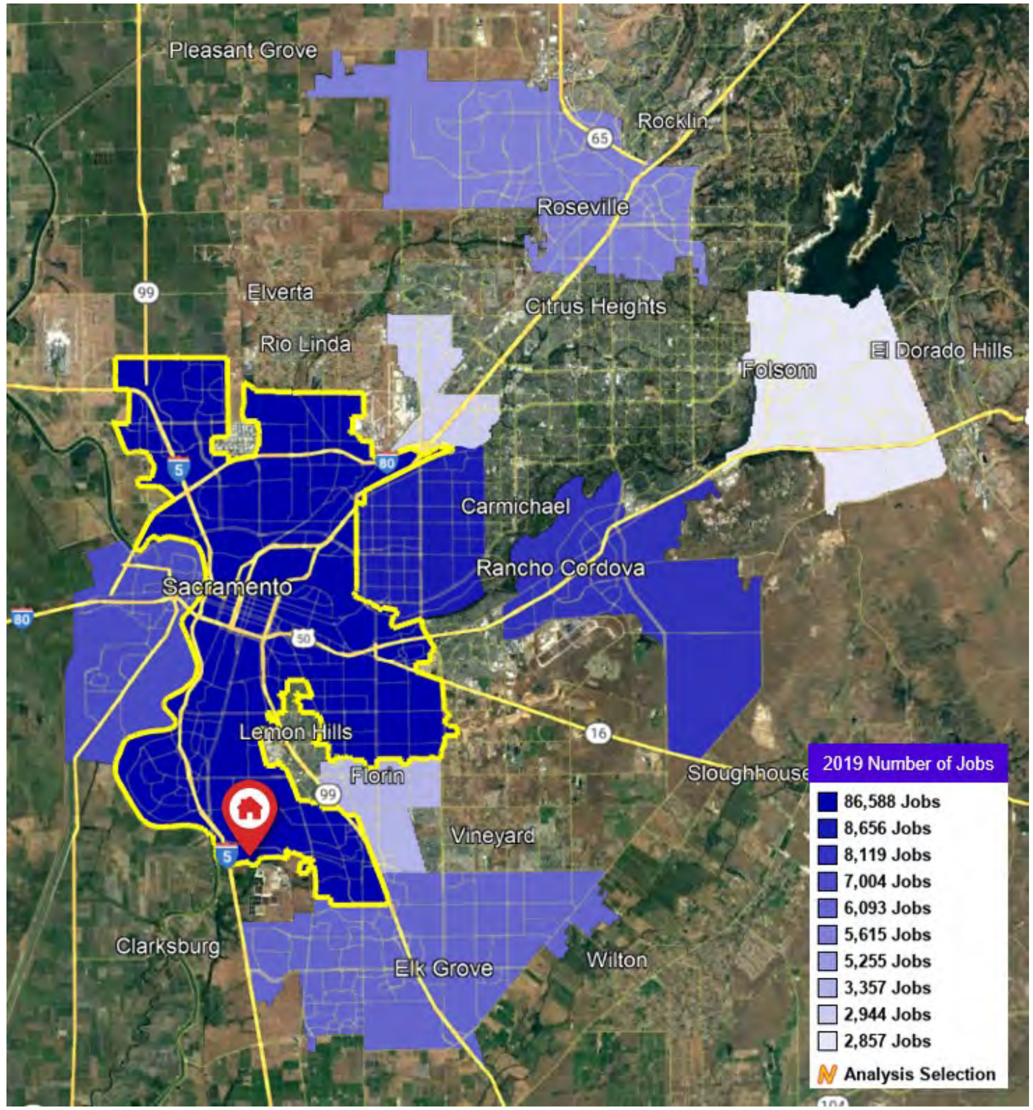
Employment

About 60% of employed Sacramento residents commute beyond the City. Sacramento, Arden-Arcade, Rancho Cordova, and West Sacramento are the top four cities that residents work in (50.7% of all jobs). *Note this does not consider COVID impacts and recent work-from-home conditions.*

Living in the Selection Area	217,697	100.0%
Living in the Selection Area but Employed Outside	131,109	60.2%
Living and Employed in the Selection Area	86,588	39.8%

Jobs Counts by Places (Cities, CDPs, etc.) Where Workers are Employed - All Jobs

	2019 Count	2019 Share
All Places (Cities, CDPs, etc.)	217,697	100.0%
Sacramento city, CA	86,588	39.8%
Arden-Arcade CDP, CA	8,656	4.0%
Rancho Cordova city, CA	8,119	3.7%
West Sacramento city, CA	7,004	3.2%
Elk Grove city, CA	6,093	2.8%
Roseville city, CA	5,615	2.6%
San Francisco city, CA	5,255	2.4%
Florin CDP, CA	3,357	1.5%
North Highlands CDP, CA	2,944	1.4%
Folsom city, CA	2,857	1.3%
All Other Locations	81,209	37.3%

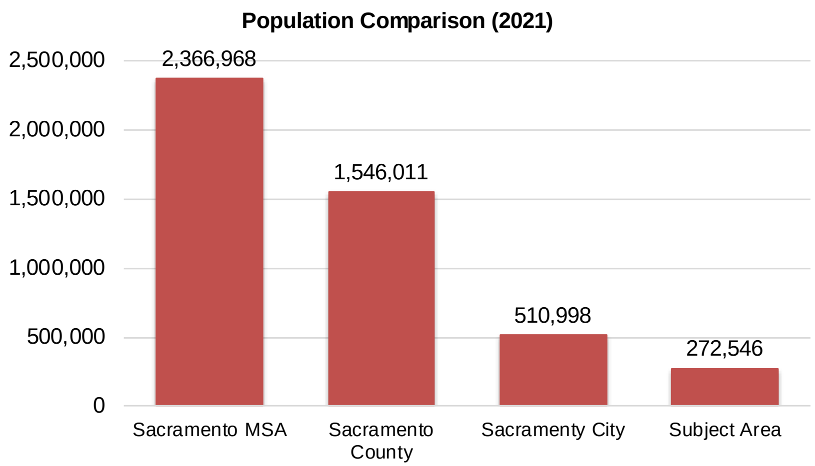


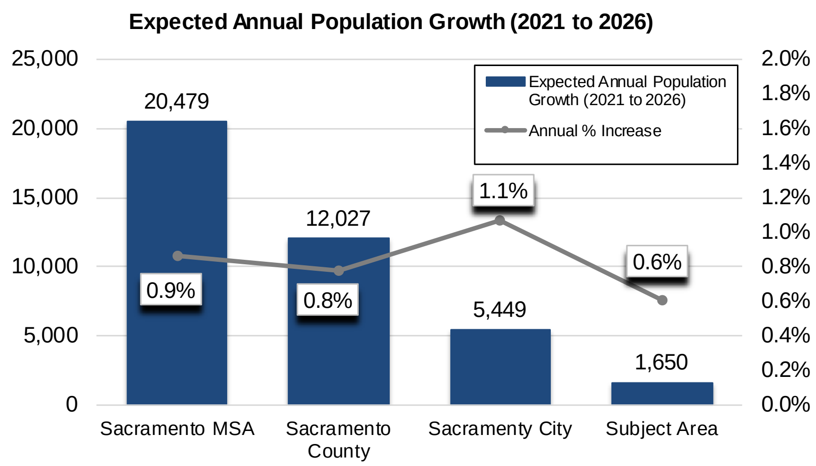
SOURCES: https://onthemap.ces.census.gov/ (2018 Census Data), ESRI

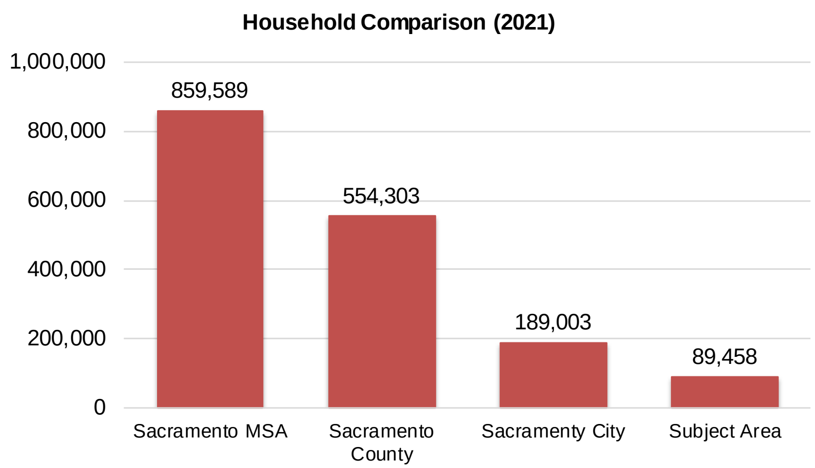
Population and Household Trends

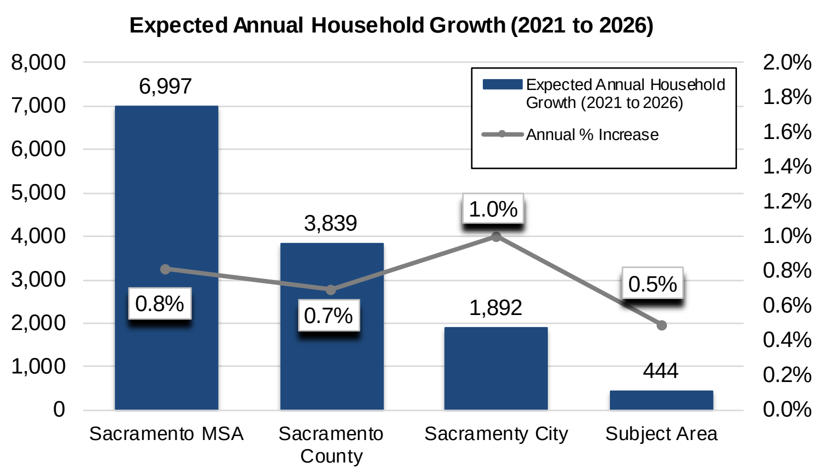
Population growth among the four areas is relatively similar from 2021 to 2026 with slightly higher rates slated for the City of Sacramento. Note that projections are per ESRI and may not consider remote work opportunities that have so far led to faster area growth.

EXISTING POPULATION / HOUSEHOLDS AND EXPECTED ANNUAL GROWTH BY AREA





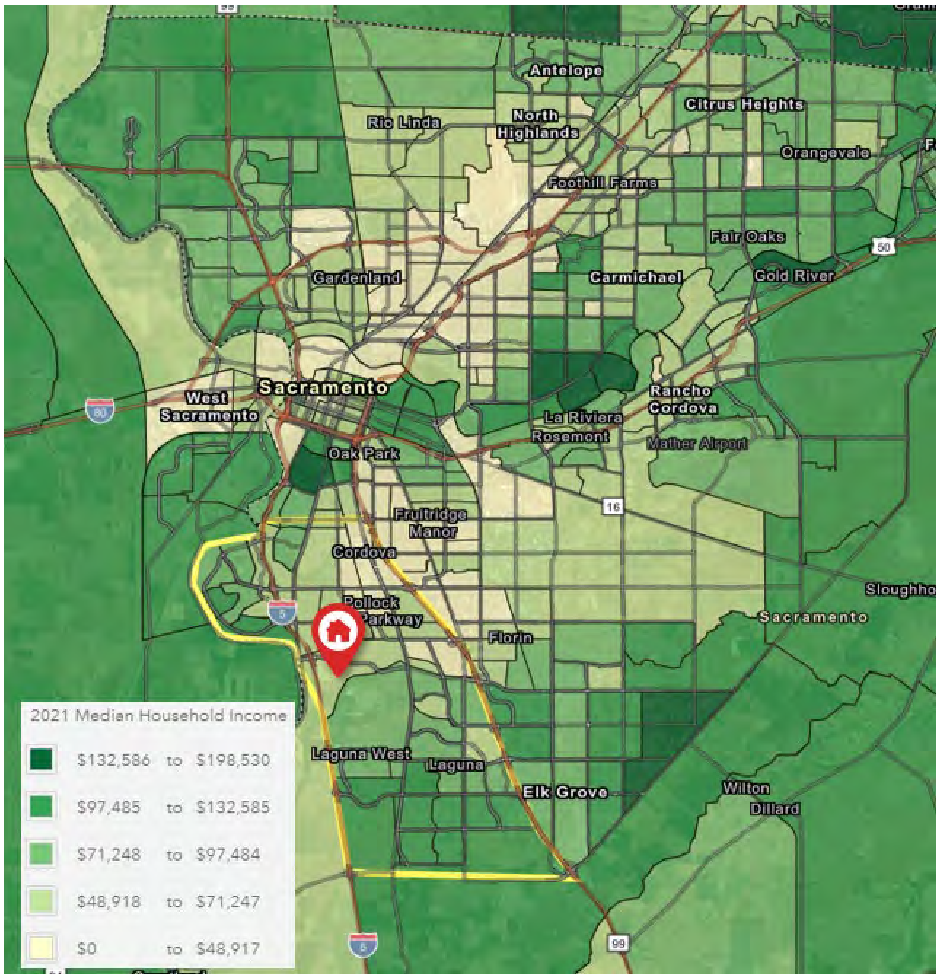


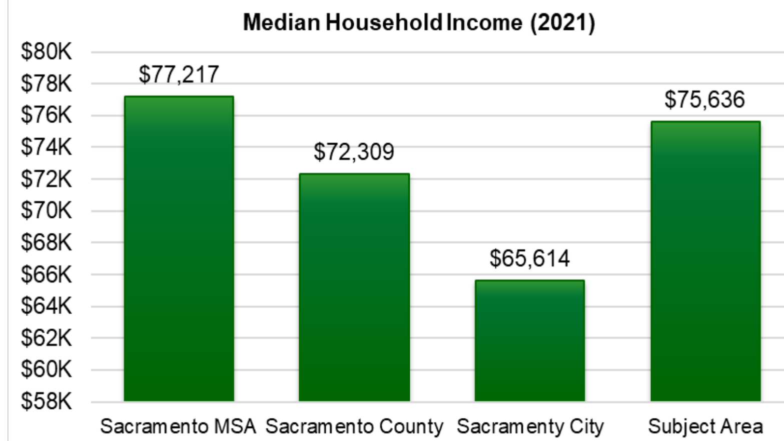


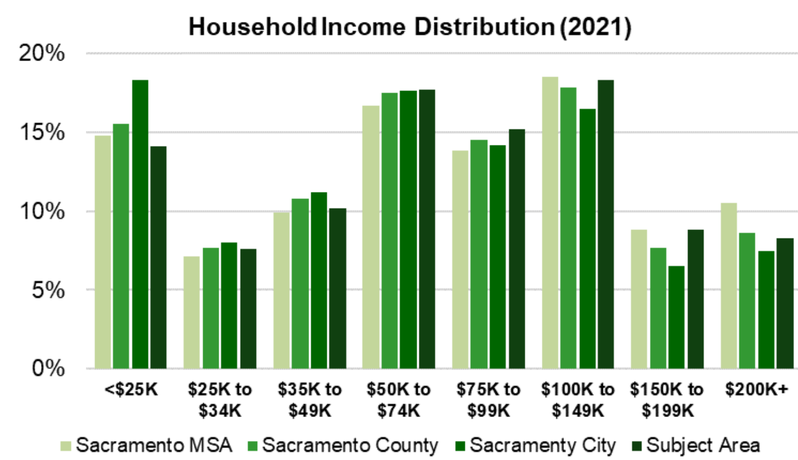
Sources: John Burns Real Estate Consulting, ESRI

Median Income & Income Distribution

The Subject Area is outlined in the map below in yellow. The red pinpoint represents the location of the Subject. The Subject Area is more affluent area than the City of Sacramento as whole, with Elk Grove and the Pocket area of the city northwest of the Subject home to relatively affluent households. About 35% of households in the Subject Area earn $100k and higher.

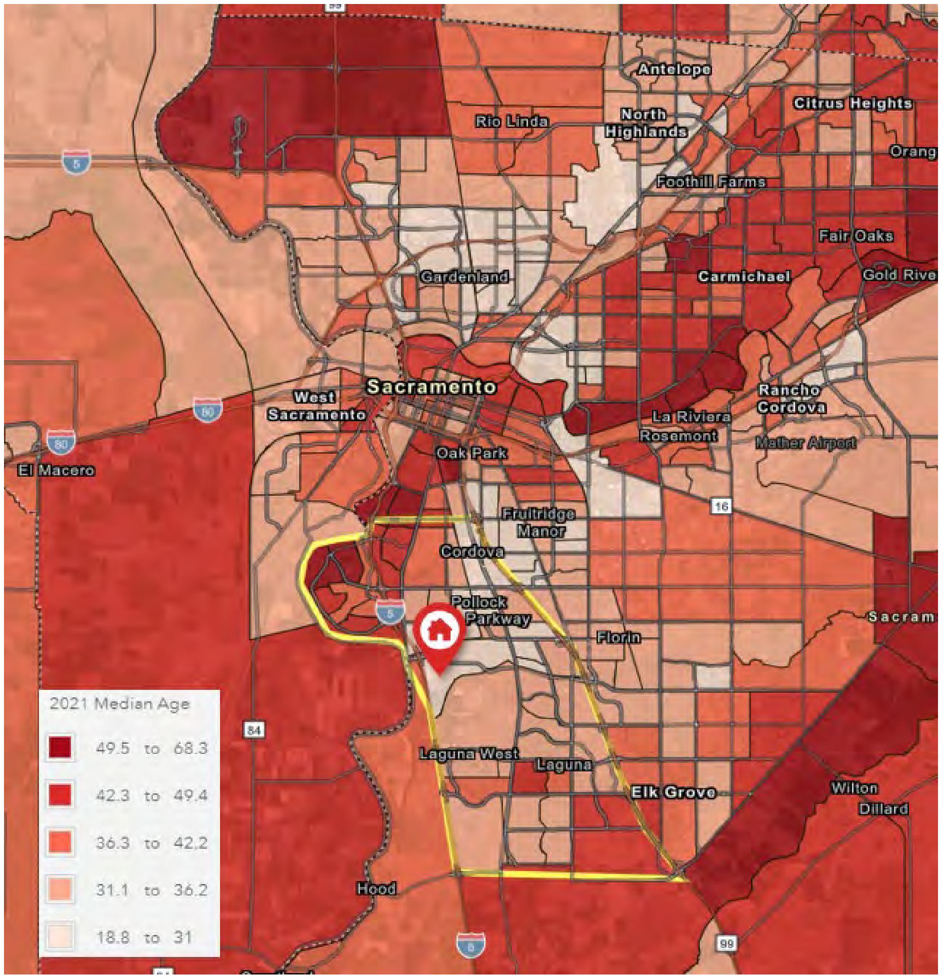


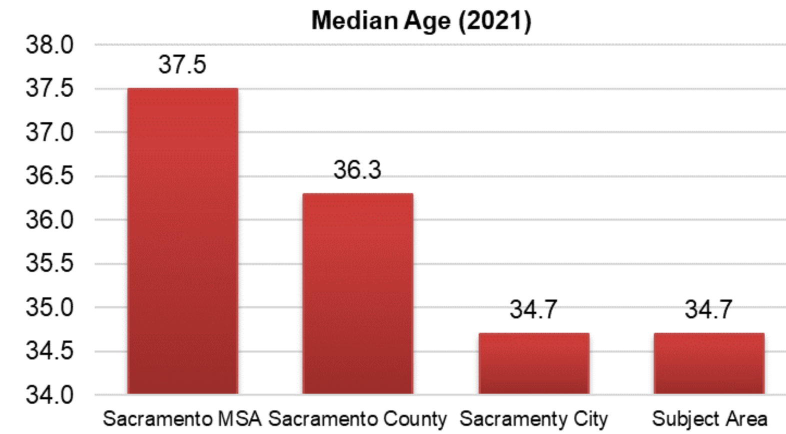


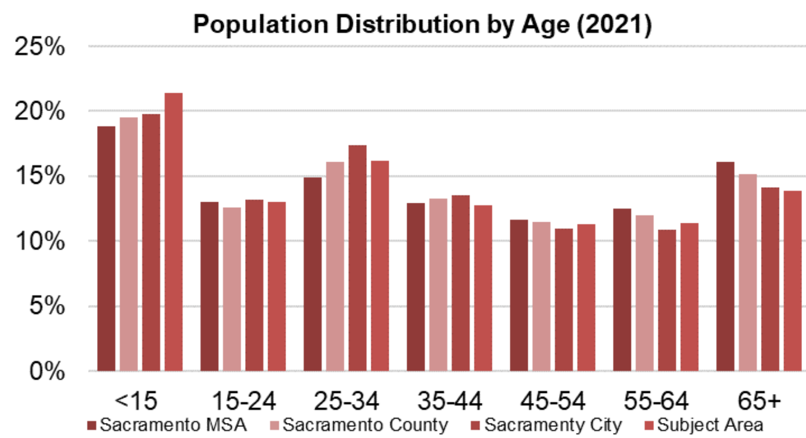


Median Age & Age Distribution

The Subject Area is composed of primarily younger residents than the MSA and the county. The Subject Area has a higher concentration of people 15 years old or younger (21% of the population), indicative of family households.



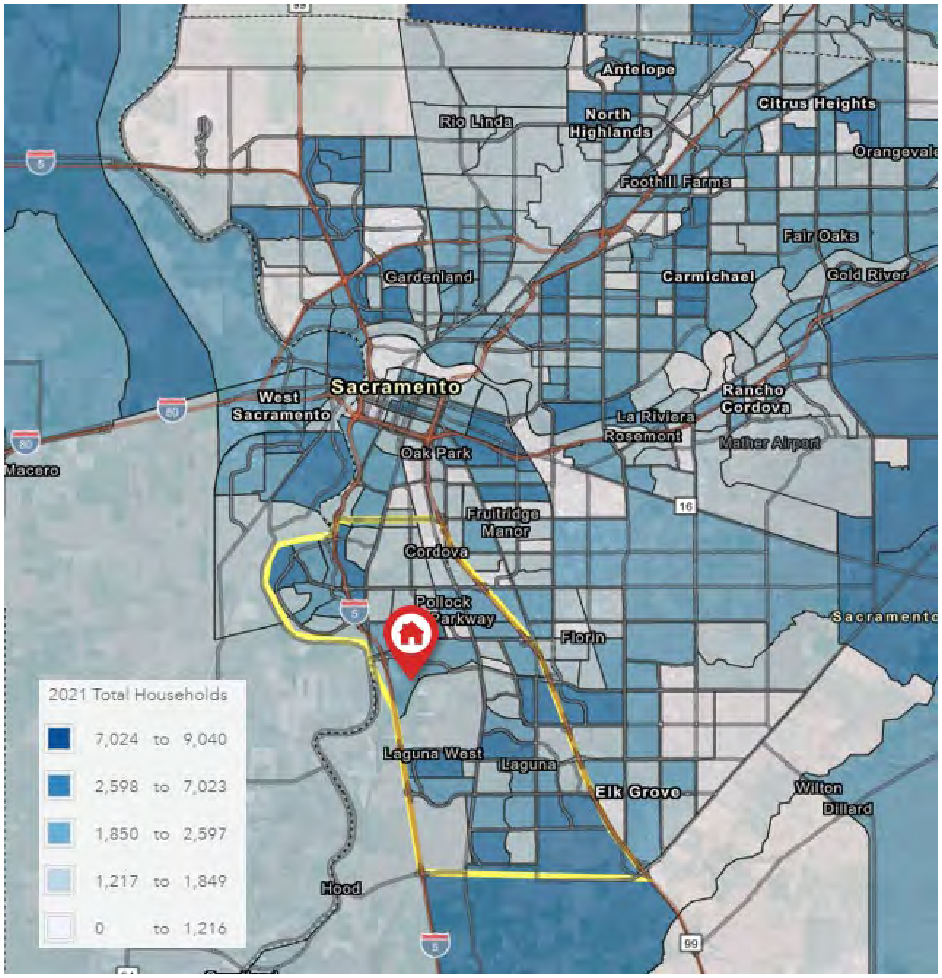


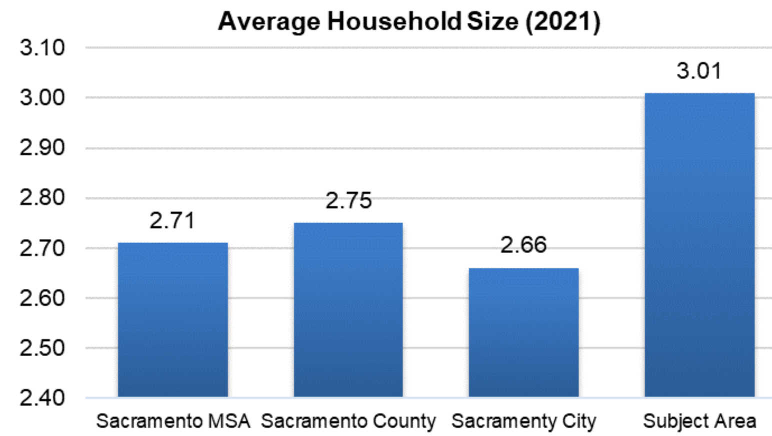


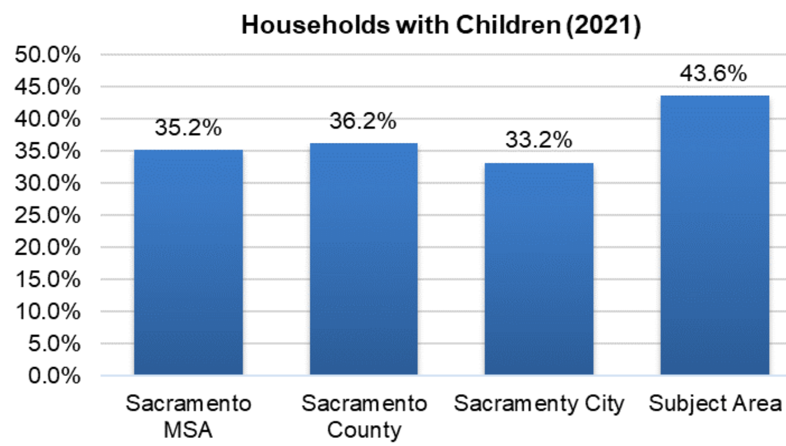
Sources: John Burns Real Estate Consulting, ESRI

Presence of Family

About 44% of households in the Subject Area are households with children compared to about 33% of households with children in the City of Sacramento. The average household size for the Subject Area is 3.01, which is about 13% higher than the City of Sacramento.







Sources: John Burns Real Estate Consulting, ESRI

APPENDIX: LIMITING CONDITIONS

Limiting Conditions

This report's conclusions and recommendations are based on our analysis of the information available to us from our research and from the client as of the date of this report. We assume that the information is correct and reliable and that we have been informed about any issues that would affect project marketability or success potential.

Our conclusions and recommendations are based on current and expected performance of the national, and/or local economy and real estate market. Given that economic conditions can change and real estate markets are cyclical, it is critical to monitor the economy and real-estate market continuously and to revisit key project assumptions periodically to ensure that they are still justified.

Due to changes in market conditions, as well as changes in consumer psychology, projected and actual results will likely differ. Events and circumstances frequently do not occur as expected, and the differences may be material. We do not express any form of assurance on the achievability of any pricing or absorption estimates or reasonableness of the underlying assumptions.

In general, for projects out in the future, we are assuming "normal" real estate market conditions and not a condition of either prolonged "boom" or "bust" market conditions. We do assume that economic, employment, and household growth will occur more or less in accordance with current expectations. We are not taking into account major shifts in the level of consumer confidence; in the ability of developers to secure needed project entitlements; in the cost of development or construction; in tax laws that favor or disfavor real estate markets; or in the availability and/or cost of capital and mortgage financing for real estate developers, owners and buyers. Should there be such major shifts affecting real estate markets, this analysis should be updated, with the conclusions and recommendations summarized herein reviewed and reevaluated under a potential range of build-out scenarios reflecting changed market conditions.

We have no responsibility to update our analysis for events and circumstances occurring after the date of our report.

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- Mapping Studies
- Consumer Segmentation
- Site & Product Validation
- Custom Survey Analysis
- Focus Groups

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