NEW ISSUE–FULL BOOK-ENTRY **NOT RATED**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2021 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS.

$4,535,000
IMPROVEMENT AREA 1 OF THE CITY OF STOCKTON
COMMUNITY FACILITIES DISTRICT NO. 2018-2
(WESTLAKE VILLAGES II)
SPECIAL TAX BONDS, SERIES 2021

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

The City of Stockton (the "City") is issuing the above-captioned bonds (the "2021 Bonds") for Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) ("Improvement Area 1") under the Mello-Roos Community Facilities Act of 1982 (the "Act"), the Resolution of Issuance (as defined herein), and a Fiscal Agent Agreement, dated as of September 1, 2020, and Supplemental Agreement No. 1 to Fiscal Agent Agreement, dated as of June 1, 2021 (together, the "Fiscal Agent Agreement"), by and between the City and Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent"). The 2021 Bonds are the second series of special tax bonds issued by the City for Improvement Area 1, following the issuance of special tax bonds in 2020 in the initial principal amount of $8,970,000 (the "2020 Bonds," and together with the 2021 Bonds, the "Bonds"). See "THE BONDS – Authority for Issuance."

The 2021 Bonds are being issued to (i) construct and/or acquire certain public facilities authorized for the District (as defined herein) (and Improvement Area 1 therein), (ii) establish a debt service reserve account for the 2021 Bonds, and (iv) pay initial administration costs and the costs of issuing the 2021 Bonds. See "SOURCES AND USES OF FUNDS."

The Bonds (consisting of the 2020 Bonds and the 2021 Bonds) are payable from the Net Taxes (as defined herein) received by the City from special taxes levied on property within Improvement Area 1 according to the rate and method of apportionment of special tax for Improvement Area 1. The Bonds are secured by a first pledge of the Net Taxes and the moneys on deposit in certain funds held by the Fiscal Agent under the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS."

Land in Improvement Area 1 is developing into 377 single-family residential units, and is currently owned by the master developer of the project, various merchant builders and, to a lesser extent, individual homeowners. See "OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA 1."

Interest on the 2021 Bonds is payable on March 1 and September 1, commencing September 1, 2021. The 2021 Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. The 2021 Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2021 Bonds. See "THE BONDS – Description of the Bonds" and "APPENDIX G – DTC and the Book-Entry Only System."

The 2021 Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from prepaid special taxes. See "THE BONDS – Redemption."

The 2021 Bonds, the interest thereon, and any premiums payable on the redemption of any 2021 Bonds, are not an indebtedness of the City (except to the limited extent described in this Official Statement), the State of California (the "State") or any of their respective political subdivisions. None of the City (except to the limited extent described in this Official Statement), the State or any of its political subdivisions is liable for the 2021 Bonds. Neither the faith and credit nor the taxing power of the City (except to the limited extent described in this Official Statement) or the State or any of their respective political subdivisions is pledged to the payment of the 2021 Bonds. Other than the Net Taxes, no taxes are pledged to the payment of the 2021 Bonds. The 2021 Bonds do not constitute a general obligation of the City, but are limited obligations of the City payable solely from the Net Taxes as more fully described in this Official Statement.

MATURITY SCHEDULE
(see inside cover)

This cover page contains certain information for quick reference only. It is not a summary of essential information about the 2021 Bonds. Potential investors should read this entire Official Statement to obtain information essential for making an informed investment decision. Investment in the 2021 Bonds involves risks that may not be appropriate for some investors. See "SPECIAL RISK FACTORS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2021 Bonds.

The 2021 Bonds are offered when, as and if issued by the City and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel to the City. Certain matters will be passed upon for the City by the City Attorney, and for the Underwriter by Kutak Rock LLP, Los Angeles, California. It is anticipated that the 2021 Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about June 10, 2021.

BRANDIS TALLMAN
A DIVISION OF OPPENHEIMER & CO. INC.

The date of this Official Statement is: May 25, 2021.
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MATURITY SCHEDULE

$ 1,180,000 Serial Bonds
(Base CUSIP†: 861341)

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2025	30,000	4.000	1.410	110.585	RC1
2026	40,000	4.000	1.620	111.875	RD9
2027	40,000	4.000	1.860	112.522	RE7
2028	50,000	4.000	2.030	113.174	RF4
2029	55,000	4.000	2.130	113.474(C)	RG2
2030	65,000	4.000	2.220	112.907(C)	RHO
2031	75,000	4.000	2.280	112.531(C)	RJ6
2032	75,000	4.000	2.320	112.281(C)	RK3
2033	90,000	2.250	2.500	97.378	RL1
2034	90,000	2.250	2.580	96.320	RM9
2035	100,000	2.375	2.600	97.336	RN7
2036	105,000	2.375	2.640	96.693	RP2
2037	115,000	2.500	2.670	97.771	RQ0
2038	120,000	2.500	2.710	97.122	RR8
2039	130,000	2.625	2.730	98.498	RS6

$75,000 1.000% Term Bond due September 1, 2024, Yield: 1.000%, Price: 100%, CUSIP† No. RB3

$1,235,000 4.000% Term Bond due September 1, 2046, Yield: 2.670%, Price: 110.121 C%, CUSIP† No. RT4

$ 2,045,000 4.000% Term Bond due September 1, 2051, Yield: 2.720%, Price: 109.816 C%, CUSIP† No. RU1

(C) Priced to optional call at 103% on September 1, 2027.

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† *CUSIP Copyright 2021, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by Standard & Poor's Capital IQ, and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data. Neither the City nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.*

CITY OF STOCKTON, CALIFORNIA

City Council

Kevin J. Lincoln II, *Mayor*
Christina Fugazi, *Vice Mayor and Councilmember, District 5*
Sol Jobrack, *Councilmember, District 1*
Dan Wright, *Councilmember, District 2*
Paul Canepa, *Councilmember, District 3*
Susan Lenz, *Councilmember, District 4*
Kimberly Warmsley, *Councilmember, District 6*

City Staff

Harry E. Black, *City Manager*
Jay Kapoor, *Chief Financial Officer*
Kevin Beltz, *Program Manager III Debt and Treasury*
Eliza Garza, *City Clerk*
John M. Luebberke, *City Attorney*

SPECIAL SERVICES

Independent Registered Municipal Advisor to the City
Del Rio Advisors, LLC
Modesto, California

Municipal Advisor to the City With Respect to the Bonds
Fieldman, Rolapp & Associates, Inc.
Irvine, California

Bond Counsel and Disclosure Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

Special Tax Consultant
DTA
San José, California

Appraiser
Integra Realty Resources – Sacramento
Sacramento, California

Absorption Consultant
The Gregory Group
Folsom, California

Fiscal Agent
Wells Fargo Bank, National Association*
Los Angeles, California

* On March 25, 2021, Wells Fargo announced it had entered into a definitive agreement to sell its corporate trust services business to Computershare. The transaction is anticipated to close in the second half of 2021, subject to customary closing conditions.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2021 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2021 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

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

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2021 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Involvement of Underwriter. 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. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, the District or Improvement Area 1 since the date hereof. All summaries of the Fiscal Agent Agreement or other documents referred to in this Official Statement, 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2021 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2021 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE 2021 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2021 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The City maintains an Internet website, but the information on that website is not incorporated in this Official Statement.

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Improvement Area 1 of the City of Stockton
Community Facilities District No. 2018-2
(Westlake Villages II)

REGIONAL LOCATION MAP

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OFFICIAL STATEMENT

$4,535,000
IMPROVEMENT AREA 1 OF THE CITY OF STOCKTON
COMMUNITY FACILITIES DISTRICT NO. 2018-2
(WESTLAKE VILLAGES II)
SPECIAL TAX BONDS, SERIES 2021

This Official Statement, including the cover page, inside cover and attached appendices, is provided to furnish information regarding the bonds captioned above (the "**2021 Bonds**") to be issued by the City of Stockton (the "**City**") on behalf of Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) (the "**District**").

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Definitions of certain terms used herein and not defined herein have the meaning set forth in the Fiscal Agent Agreement. See "APPENDIX H – Summary of Certain Provisions of the Fiscal Agent Agreement."

INTRODUCTION

This introduction is not a summary of the entire Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained throughout the Official Statement, including the cover page, inside cover and attached appendices, and documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the 2021 Bonds to potential investors is made only by means of the entire Official Statement.

Authority for Issuance. The 2021 Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311, *et seq*., of the Government Code of the State of California) (the "**Act**") and pursuant to a Fiscal Agent Agreement dated as of September 1, 2020, and Supplemental Agreement No. 1 to Fiscal Agent Agreement, dated as of June 1, 2021 (together, the "**Fiscal Agent Agreement**") between the City and Wells Fargo Bank, National Association, as fiscal agent (the "**Fiscal Agent**"), and a resolution (the "**Resolution of Issuance**") adopted on May 11, 2021 by the City Council of the City (the "**City Council**"), as legislative body of the District. See "THE BONDS – Authority for Issuance."

The City and the County. The City boundaries encompass approximately 64.8 square miles in the center of San Joaquin County (the "**County**") in California's San Joaquin Valley, 78 miles east of the San Francisco Bay area, 345 miles north of Los Angeles and 45 miles south of Sacramento. Based on its 2020 population of 318,522, Stockton is the 13th largest city in California and the 63rd largest city in the United States. The City is a municipal corporation and a charter city, duly organized and existing under the constitution and laws of the State. For economic and demographic information regarding the City and the County, see "APPENDIX D – San Joaquin County and City of Stockton Demographic Information."

Description of the 2021 Bonds. The 2021 Bonds will be issued in denominations of $5,000 or any integral multiple of $5,000. Interest is payable semiannually on each March 1 and September 1, commencing September 1, 2021. The 2021 Bonds will be initially issued only in book-entry form and registered to Cede & Co. as nominee of The Depository Trust Company ("**DTC**"), which will act as securities depository of the 2021 Bonds. Principal and interest (and premium, if any) on the 2021 Bonds is payable by the Fiscal Agent to DTC, which remits such payments to its Participants for subsequent distribution to the registered owners as shown on the Fiscal Agent's books. See "THE BONDS."

Use of Proceeds. Proceeds of the 2021 Bonds will primarily be used to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements authorized to be financed by the District (the "**Improvements**," as described herein). The Improvements consist generally of roadway, water, drainage, wastewater, and other infrastructure improvements necessary for completion of development of property within Improvement Area 1 and Improvement Area 2 of the District. The cost of a portion of the Improvements will be reimbursed by the proceeds of the 2021 Bonds and may also be reimbursed using pay-as-you go financing from the Special Tax. See "THE IMPROVEMENTS." Proceeds of the 2021 Bonds will also be used to establish a debt service reserve account for the 2021 Bonds, and to pay the costs of issuing the 2021 Bonds.

The District, Improvement Area 1 and Improvement Area 2. The District and its two improvement areas ("**Improvement Area 1**" and "**Improvement Area 2**" and together, the "**Improvement Areas**") within its boundary were formed in June 2018 with a maximum bond authorization of $75,000,000, allocated $15,000,000 to Improvement Area 1 and $60,000,000 to Improvement Area 2. The 2021 Bonds are the second series of special tax bonds issued by the City for Improvement Area 1, following the issuance of special tax bonds in 2020 in the initial principal amount of $8,970,000 (the "**2020 Bonds**," and together with the 2021 Bonds, the "**Bonds**"). The Bonds are only payable from net Special Taxes levied in Improvement Area 1, as described herein, and the City has covenanted in the Fiscal Agent Agreement not to issue any additional parity bonds, except for refunding purposes.

The District (Improvement Area 1 and Improvement Area 2) is planned to develop into 2,161 homes ranging in size from 1,400 to 3,500 square feet, and when fully developed will include a master-planned portion dedicated to 55+ living, multiple neighborhood parks, a school site and a series of man-made lakes to aid in flood control. It is bounded on the west by Bishop Cut, on the north by Eight Mile Road, on the east by Regatta Lane and on the south by Disappointment Slough in the City. Land in the District is part of a larger development being undertaken in the area. See "THE DISTRICT AND IMPROVEMENT AREA 1" for additional information.

Ownership and Development of Property. Stockton Westlake Investment, LLC, a California limited liability company ("**Stockton Westlake Investment, LLC**"), previously owned all the land in Improvement Area 1 and currently owns a portion of the land in Improvement Area 1 and all of the land in Improvement Area 2. Eight Mile Development, Inc., a California corporation (the "**Master Developer**") has options to purchase land within the Improvement Areas and has exercised options to purchase a portion of land within Improvement Area 1. The Master Developer has constructed and is continuing to construct the backbone infrastructure necessary to sell finished lots within Improvement Area 1.

Improvement Area 1 is planned to develop into 377 single-family homes, and the Master Developer has been actively marketing and selling lots to merchant builders. As of March 29,

2021 (the date of value of the Appraisal), the Master Developer had sold and closed 333 lots to the following merchant builders (collectively, the "**Merchant Builders**"): Lennar Homes of California, Inc., a California corporation ("**Lennar Homes**"); Richmond American Homes, Inc., a Maryland corporation ("**Richmond American Homes**"); Caresco Builders Corp., a California corporation ("**Caresco Homes**"); and Regatta Building Partners, LLC, a Delaware limited liability company ("**Regatta Partners**"); and D.R. Horton CA2, Inc., a California corporation ("**D.R. Horton**"). Regatta Building Partners is an entity owned by the Master Developer and merchant builder Frontier Land Companies, a California corporation ("**FCB Homes**"), and has sold-out of its lots; the remaining Merchant Builders are continuing to build and sell homes. The remaining 44 lots are under contract by the Master Developer to be sold and closed to D.R. Horton.

As of the March 29, 2021 date of value, ownership of land in Improvement Area 1 and the appraised value of such land was as follows:

Owner	**Appraised Value**
Individual Homeowners (92 homes)	$43,174,000
Merchant Builders:	
Lennar Homes (88 lots/homes[1])	15,046,000
D.R. Horton (72 lots)	10,744,000
Richmond American Homes (41 lots/homes[1])	7,528,000
Caresco Homes (40 lots/homes[1])	6,676,000
Master Developer (44 lots) [2]	5,808,000
Total (377 lots/homes[1])	***$88,976,000***

[1] Includes homes under construction and completed homes. For completed homes, appraised value represents a not-less-than value for completed homes based on the smallest floorplan.
[2] The 44 lots owned by Master Developer are under contract to be sold to D.R. Horton and expected to close in October 2021. However, no assurance can be given that D.R. Horton will close on the 44 lots.

See "OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA 1" for additional details on the Master Developer, the Merchant Builders, and the ongoing development in Improvement Area 1.

Security and Sources of Payment for the Bonds. The City Council annually levies special taxes on the property in Improvement Area 1 (the "**Special Taxes**") in accordance with the Rate and Method of Apportionment for Improvement Area 1 of City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) (the "**Special Tax Formula**"), which is attached as APPENDIX A to this Official Statement. The Bonds are secured by and payable from a first pledge of the "**Net Taxes,**" which are comprised of Gross Taxes less Administrative Expenses. "**Gross Taxes**" is defined in the Fiscal Agent Agreement as the proceeds of the Special Taxes received by the City, including any scheduled payments and any prepayments thereof and interest thereon, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. "Gross Taxes" does not include any penalties collected in connection with delinquent Special Taxes or any interest in excess of the interest due on the Bonds. The Bonds are also secured by certain funds and accounts established and held under the Fiscal Agent Agreement. In particular, an amount will be deposited into a debt service reserve account within the debt service reserve fund (the "**Reserve Fund**") for the benefit of the owners of the 2021 Bonds (the "**2021 Reserve Account**"), in an amount equal to the Reserve Requirement (as defined herein) calculated with respect to the 2021 Bonds. See "SECURITY FOR THE BONDS."

Pursuant to the Act, the Resolution of Issuance, and the Fiscal Agent Agreement, so long as any Bonds are outstanding, the City will annually levy the Special Tax against all land within Improvement Area 1 taxable under the Act in accordance with the Special Tax Formula and to make provision for the collection of the Special Tax in amounts which will be sufficient to pay interest on, principal of and redemption premium (if any) on the Bonds as such becomes due and payable and to replenish the reserve accounts within the Reserve Fund as necessary. See "SECURITY FOR THE BONDS – Special Tax Methodology" and "APPENDIX A – Rate and Method of Apportionment of Special Tax."

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of any of the parcels within Improvement Area 1. In the event of delinquency, proceedings may be conducted only against the real property on which the Special Tax is delinquent. The unpaid Special Taxes are not required to be paid upon sale of property within Improvement Area 1.

Covenant to Foreclose. The City has covenanted in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Special Taxes. For a more detailed description of the foreclosure covenant, see "SECURITY FOR THE BONDS – Delinquent Payments; Teeter Plan; Covenant for Superior Court Foreclosure."

Additional Bonds. The City has covenanted in the Fiscal Agent Agreement only to issue additional bonds secured by the Special Taxes for refunding purposes. See "SECURITY FOR THE BONDS – Additional Bonds."

Value Estimate of Property in Improvement Area 1. Taxable real property within Improvement Area 1 is security for the Special Tax securing the Bonds and is comprised of both developed and undeveloped property. To obtain an estimate of the value of taxable property in Improvement Area 1 the City ordered an appraisal (the "**Appraisal**"), with an effective date of March 29, 2021, prepared by Integra Realty Resources, Sacramento, California (the "**Appraiser**"), which value estimate includes County assessed values for some properties. The Appraisal is described herein under the caption "VALUE OF PROPERTY WITHIN IMPROVEMENT AREA 1 AND SPECIAL TAX BURDEN – The Appraisal" and attached hereto in its entirety as APPENDIX B. The Appraisal estimates the value of the properties which are subject to the Special Tax to be not less than $88,976,000. See the Appraisal in APPENDIX B.

Based upon the $88,976,000 appraised value of taxable property in Improvement Area 1 and the principal amount of Bonds of $13,505,000 ($8,970,000 of 2020 Bonds and $4,535,000 of 2021 Bonds), as well as overlapping land-secured debt attributable to those parcels of $107,108, for a total direct and overlapping land-secured debt amount of $13,612,108, the value-to-lien ratio for such property is approximately 6.54 to 1; provided, however, that the value-to-lien ratio of individual parcels may vary significantly. See "VALUE OF PROPERTY WITHIN IMPROVEMENT AREA 1 AND SPECIAL TAX BURDEN – Value to Special Tax Burden Ratios."

Market Absorption Report. In connection with the issuance of the 2021 Bonds, the City hired The Gregory Group, Folsom, California (the "**Absorption Consultant**") to perform market absorption study services related to the development of the land in Improvement Area 1. The Absorption Consultant's report (the "**Absorption Report**") describes the planned development based on information available as of February 2021, and is attached hereto as APPENDIX C. The Absorption Consultant estimates that of the 377 single-family residential homes planned for Improvement Area 1, an initial 162 homes had been sold through February 10, 2021, an additional

127 homes would sell in the remainder of 2021 and the final 88 homes would sell in 2022. See "THE DISTRICT AND IMPROVEMENT AREA 1 – Market Absorption Report" and APPENDIX C.

Redemption of Bonds Before Maturity. The 2021 Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from prepaid Special Taxes. See "THE BONDS – Redemption."

Risk Factors Associated with Purchasing the 2021 Bonds. Investment in the 2021 Bonds involves risks that may not be appropriate for some investors. See "SPECIAL RISK FACTORS" for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the 2021 Bonds. ***In particular, no assurance can be given that the timing of construction of homes and/or sale of homes projected by the Master Developer or the Merchant Builders in this Official Statement will be accomplished. Neither the City nor the Underwriter can predict the impact of COVID-19 on home production and home sales activities or the willingness of owners of land in Improvement Area 1, including the Master Developer, the Merchant Builders or any subsequent owner, to pay the Special Taxes securing the Bonds. See "SPECIAL RISK FACTORS – COVID-19."***

Limited Obligation of the City. The Bonds, the interest thereon, and any premiums payable on the redemption of any Bonds, are not an indebtedness of the City (except to the limited extent described in this Official Statement), the State of California (the "**State**") or any of their respective political subdivisions. None of the City (except to the limited extent described in this Official Statement), the State or any of its political subdivisions is liable for the Bonds. Neither the faith and credit nor the taxing power of the City (except to the limited extent described in this Official Statement) or the State or any of their respective political subdivisions is pledged to the payment of the Bonds. Other than the Net Taxes, no taxes are pledged to the payment of the Bonds. The Bonds do not constitute a general obligation of the City, but are limited obligations of the City payable solely from the Net Taxes as more fully described in this Official Statement.

Summary of Information. Brief descriptions of certain provisions of the Fiscal Agent Agreement and certain other documents are included herein. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions, copies of which are available for inspection at the office of the City. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally. Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings ascribed to such terms in the Fiscal Agent Agreement. See "APPENDIX H – Summary of Certain Provisions of the Fiscal Agent Agreement." The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement, any sale made hereunder, nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City, the District or Improvement Area 1 since the date hereof.

SOURCES AND USES OF FUNDS

A summary of the estimated sources and uses of funds associated with the sale of the 2021 Bonds follows.

Sources	
Principal Amount of 2021 Bonds	$4,535,000.00
Plus/Less: [Net] Original Issue Premium/Discount	359,884.40
Total Sources	$4,894,884.40
Uses	
Improvement Fund	$4,225,657.55
2021 Reserve Account of Reserve Fund [1]	349,539.35
Costs of Issuance [2]	289,687.50
Total Uses	$4,894,884.40

[1] Equal to the Reserve Requirement for the 2021 Bonds as of their date of delivery.

[2] Includes, among other things, the fees and expenses of Bond Counsel and Disclosure Counsel, the Fiscal Agent, the Appraiser, the Absorption Consultant, the Special Tax Administrator, and the Municipal Advisors, Underwriter's discount, as well as the cost of printing the preliminary and final Official Statements.

THE BONDS

This section generally describes certain of the terms of the 2021 Bonds contained in the Fiscal Agent Agreement. For certain additional provisions that apply to the 2021 Bonds and certain defined terms, see "APPENDIX H – Summary of Certain Provisions of the Fiscal Agent Agreement."

Authority for Issuance

The 2021 Bonds are issued pursuant to the Fiscal Agent Agreement, the Resolution of Issuance, and the Act. On June 19, 2018, the City Council adopted Resolution No. 2018-06-19-1502-01 (the "**Resolution of Formation**"), which formed the District and Improvement Area 1 therein. The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed $15,000,000 for Improvement Area 1 and $60,000,000 for Improvement Area 2 at a special election in the District held on the same day. Change proceedings were undertaken in February 2020 to amend the rate and method of apportionment of special tax for each Improvement Area and modify the boundaries of the Improvement Areas.

The 2021 Bonds are the second series to be issued for Improvement Area 1, payable on a parity basis with the 2020 Bonds, and no Additional Bonds payable on a parity basis may be issued except for refunding purposes. See "–Additional Bonds," herein.

Description of the 2021 Bonds

The 2021 Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("**DTC**"), and will be available to ultimate purchasers in the denomination of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of 2021 Bonds will not receive physical certificates representing their interest in the 2021 Bonds. So long as the 2021 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers of the 2021 Bonds.

Payments of the principal, premium, if any, and interest on the 2021 Bonds will be made directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the 2021 Bonds. Disbursements of such payments to DTC's participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's participants and indirect participants, as more fully described in "APPENDIX G – DTC and the Book-Entry Only System."

The 2021 Bonds will be dated as of, and bear interest from, the date of their delivery at the rates contained, and mature in the amounts and years shown on the inside cover page of this Official Statement.

The principal of, and any redemption premium due with respect to, the 2021 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of the Fiscal Agent in Los Angeles, California, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the 2021 Bonds. Interest on the 2021 Bonds, computed on the basis of a 360-day year consisting of twelve 30-day months, will be paid in lawful money of the United States of America semiannually on March 1 and September 1 of each year (each an "**Interest Payment Date**"), commencing September 1, 2021.

Interest on the 2021 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on each Interest Payment Date by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the 15th day of the calendar month preceding the Interest Payment Date (the "**Record Date**"), or by wire transfer made on such Interest Payment Date upon written instructions received by the Fiscal Agent on or before the Record Date preceding the Interest Payment Date, of any Owner of $1,000,000 or more in aggregate principal amount of 2021 Bonds; provided that so long as any 2021 Bonds are in book-entry form, payments with respect to such 2021 Bonds will be made by wire transfer, or such other method acceptable by the Fiscal Agent, to DTC. See "APPENDIX G – DTC and the Book-Entry Only System."

Each 2021 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the dated date; provided, however, that if at the time of authentication of a 2021 Bond, interest is in default thereon, such 2021 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

So long as the 2021 Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the 2021 Bonds will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC's participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's direct participants and indirect participants, as more fully described herein. See "APPENDIX G – DTC and the Book-Entry Only System."

Redemption of 2021 Bonds

Optional Redemption. The 2021 Bonds are subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as specified by the City and by lot within a maturity, on any Interest Payment Date on or after September 1, 2027, at the following respective redemption prices (expressed as percentages of the principal amount of the 2021 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
September 1, 2027 and March 1, 2028	103%
September 1, 2028 and March 1, 2029	102
September 1, 2029 and March 1, 2030	101
September 1, 2030 and Interest Payment Dates thereafter	100

Mandatory Redemption from Prepayments. The 2021 Bonds are subject to mandatory redemption from Prepayments of the Special Tax by property owners, in whole or in part among maturities as specified by the City and by lot within a maturity, on any Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the 2021 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
Interest Payment Dates through March 1, 2028	103%
September 1, 2028 and March 1, 2029	102
September 1, 2029 and March 1, 2030	101
September 1, 2030 and Interest Payment Dates thereafter	100

Mandatory Sinking Fund Redemption. The Term 2021 Bonds maturing September 1, 2024, September 1, 2046 and September 1, 2051 are subject to mandatory sinking payment redemption in part on September 1, 2022, September 1, 2040 and September 1, 2047, respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following tables:

Term Bonds Maturing September 1, 2024

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2022	$25,000
2023	25,000
2024 (maturity)	25,000

Term Bonds Maturing September 1, 2046

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2040	$135,000
2041	150,000
2042	165,000
2043	175,000
2044	190,000
2045	205,000
2046 (maturity)	215,000

Term Bonds Maturing September 1, 2051

Mandatory Redemption Date (September 1)	Sinking Fund Payment
2047	$230,000
2048	245,000
2049	260,000
2050	280,000
2051 (maturity)	1,030,000

The amounts in the foregoing tables will be reduced pro rata, in order to maintain substantially uniform debt service, as a result of any prior partial optional redemption or mandatory redemption of the Term 2021 Bonds.

Purchase In Lieu of Redemption. In lieu of redemption, moneys in the Redemption Account may be used and withdrawn by the Fiscal Agent for purchase of outstanding 2021 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such

Officer's Certificate may provide, but in no event may 2021 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Redemption Procedure by Fiscal Agent. The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories and to one or more Information Services, and to the respective registered Owners of any 2021 Bonds designated for redemption, at their addresses appearing on the bond registration books in the principal office of the Fiscal Agent; but such mailing is not a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such 2021 Bonds.

Such notice will state the redemption date and the redemption price and, if less than all of the then outstanding 2021 Bonds are to be called for redemption, will designate the CUSIP numbers and 2021 Bond numbers of the 2021 Bonds to be redeemed by giving the individual CUSIP number and 2021 Bond number of each 2021 Bond to be redeemed or will state that all 2021 Bonds between two stated 2021 Bond numbers, both inclusive, are to be redeemed or that all of the 2021 Bonds of one or more maturities have been called for redemption, will state as to any 2021 Bond called in part the principal amount thereof to be redeemed, and will require that such 2021 Bonds be then surrendered at the principal office of the Fiscal Agent for redemption at the said redemption price, and will state that further interest on such 2021 Bonds will not accrue from and after the redemption date.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2021 Bonds of any maturity, the Fiscal Agent will select the 2021 Bonds to be redeemed, from all 2021 Bonds or such given portion thereof of such maturity by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate. Upon surrender of 2021 Bonds redeemed in part only, the City will execute and the Fiscal Agent will authenticate and deliver to the registered Owner, at the expense of the City, a new 2021 Bond or 2021 Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2021 Bond or 2021 Bonds.

City's Right to Rescind. The City has the right to rescind any notice of the optional redemption of 2021 Bonds and such notice may be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2021 Bonds then called for redemption. Neither the City nor the Fiscal Agent will have any liability to the Owners of the 2021 Bonds or any other party related to any such rescission of redemption.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2021 Bonds so called for redemption are deposited in the Redemption Account, such 2021 Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Transfer or Exchange of 2021 Bonds

So long as the 2021 Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of 2021 Bonds will be made in accordance with DTC procedures. See APPENDIX G. Any 2021 Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by his duly authorized attorney, upon

surrender of such 2021 Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any 2021 Bond(s) will be surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new 2021 Bond(s), for a like aggregate principal amount of 2021 Bond(s) of authorized denominations and of the same maturity. The City will pay the cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange. The Fiscal Agent will collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfers or exchanges of 2021 Bonds will be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of 2021 Bonds for redemption or (ii) with respect to a 2021 Bond after that 2021 Bond has been selected for redemption.

SECURITY FOR THE BONDS

Pledge of Special Taxes

The Bonds (consisting of the 2020 Bonds and the 2021 Bonds) are secured by and payable from a first pledge of the Net Taxes. The Bonds are secured by and payable from a first pledge of the "**Net Taxes,**" which are comprised of Gross Taxes less Administrative Expenses. "**Gross Taxes**" is defined in the Fiscal Agent Agreement as the proceeds of the Special Taxes received by the City, including any scheduled payments and any prepayments thereof and interest thereon, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. "Gross Taxes" does not include any penalties collected in connection with delinquent Special Taxes or any interest in excess of the interest due on the Bonds.

Each Series of Bonds is also secured by amounts in a reserve account established within the Reserve Fund for such Series of Bonds and, subject to prior disbursement to pay costs of the Improvements, moneys in the Improvement Fund. Until disbursed as provided in the Fiscal Agent Agreement, moneys in the Special Tax Fund, are pledged to the payment of the principal of, and interest and any premium on, the Bonds, as provided in the Fiscal Agent Agreement and in the Act, until all the Bonds have been paid and retired, or until moneys or Federal Securities have been set aside irrevocably for that purpose.

The Improvements are not pledged to pay the debt service on the Bonds. Any proceeds of condemnation, destruction or other disposition of any Improvements are not pledged to pay the debt service on the Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

Special Taxes

A Special Tax applicable to each taxable parcel in Improvement Area 1 will be levied and collected according to the tax liability determined by the City Council through the application of the Special Tax Formula, the complete copy of which is set forth in APPENDIX A hereto, for all taxable properties in Improvement Area 1. Interest and principal on the Bonds are payable from the annual Special Taxes to be levied and collected on taxable property within Improvement Area 1, from amounts held in the funds and accounts established under the Fiscal Agent Agreement (other than the Rebate Fund) and from the proceeds, if any, from the sale of such property for delinquency of such Special Taxes. For purposes of this Official Statement, DTA has served as

special tax consultant to the City (the "**Special Tax Consultant**") and prepared certain information regarding the Special Taxes applicable to Improvement Area 1.

Under the Special Tax Formula, taxable parcels in Improvement Area 1 are subject to both (i) "**Special Tax A**," which is levied for public facilities, and (ii) "**Special Tax B**" which is levied for public services. ***Only Special Tax A is pledged to the Bonds and all references in this Official Statement, including in each table set forth herein, to the Special Tax or the Assigned Special Tax is a reference to "Special Tax A" as defined in the Special Tax Formula.***

The Special Taxes are exempt from the property tax limitation of Article XIIIA of the California Constitution, pursuant to Section 4 thereof as a "special tax" authorized by a two-thirds vote of the qualified electors. The levy of the Special Taxes was authorized by the City pursuant to the Act in an amount determined according to the Special Tax Formula approved by the City. See "–Special Tax Methodology" below and "APPENDIX A – Rate and Method of Apportionment of Special Tax."

The amount of Special Taxes that Improvement Area 1 may levy in any year, and from which principal and interest on the Bonds is to be paid, is strictly limited by the maximum rates approved by the qualified electors within Improvement Area 1 which are set forth as the "Maximum Special Tax A" for facilities in the Special Tax Formula (the "**Maximum Annual Special Tax**"). Under the Special Tax Formula, Special Taxes for the purpose of making payments on the Bonds will be levied annually in an amount, not in excess of the annual Maximum Annual Special Tax. The Special Taxes and any interest earned on the Special Taxes constitute a trust fund for the principal of and interest on the Bonds pursuant to the Fiscal Agent Agreement and, so long as the principal of and interest on these obligations remains unpaid, the Special Taxes and investment earnings thereon will not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and will be held in trust for the benefit of the owners thereof and will be applied pursuant to the Fiscal Agent Agreement. The Special Tax Formula apportions the Annual Costs (as defined in the Special Tax Formula and described below) among the taxable parcels of real property within Improvement Area 1 according to the rate and methodology set forth in the Special Tax Formula. See "–Special Tax Methodology" below. See also "APPENDIX A – Rate and Method of Apportionment of Special Tax."

The City may levy the Special Tax at the Maximum Annual Special Tax rate, which has been authorized by the qualified electors within Improvement Area 1, as set forth in the Special Tax Formula, if conditions so require. Because each year's Special Tax levy is limited to the Maximum Annual Special Tax rates authorized as set forth in the Special Tax Formula, no assurance can be given that, in the event of Special Tax delinquencies, the amount of the Annual Costs will in fact be collected in any given year. See "SPECIAL RISK FACTORS – Levy and Collection of the Special Tax" herein. The Special Taxes are collected for the City by the County in the same manner and at the same time as *ad valorem* property taxes.

Special Tax Methodology

The Special Tax authorized under the Act applicable to land within Improvement Area 1 will be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate as described in the Special Tax Formula set forth in "APPENDIX A – Rate and Method of Apportionment of Special Tax" and in accordance with the Act. See "SPECIAL RISK FACTORS – Levy and Collection of Special Tax." Capitalized terms set forth in this section and not otherwise defined have the meanings set forth in the Special Tax Formula.

Determination of Special Tax Requirement for Facilities. Each year, the City will determine the "**Special Tax Requirement for Facilities**," which includes the following items (less any applicable credits for available revenues):

(i) Debt Service on bonds issued for Improvement Area 1;
(ii) any amounts needed to replenish bond reserve funds;
(iii) pay Administrative Expenses;
(iv) an amount equal to Special Tax delinquencies reasonably anticipated for such year and for previous year's delinquencies in excess of the amount estimated for such year; and
(v) pay-as-you-go construction expenditures for authorized improvements.

The calculation of the Special Tax Requirement for Facilities is the basis for the amount of Special Tax to be levied within Improvement Area 1. In no event may the City levy a Special Tax in any year above the Maximum Annual Special Tax identified for each parcel in the Special Tax Formula.

Parcels Subject to the Special Tax. Each Fiscal Year, all Taxable Property within Improvement Area 1 shall be classified as Developed Property, Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, or Taxable Public Property and shall be subject to Special Taxes in accordance with the Special Tax Formula determined pursuant to the provisions thereof. Residential Property shall be assigned to Land Use Classes 1 through 5 as listed in Table 1 in the Special Tax Formula based on the description and the Residential Floor Area for each Dwelling Unit. Non-Residential Property shall be assigned to Land Use Class 6.

Transition Year. A portion of the Maximum Special Tax A will transition from being used for public facilities to public services as described in the Special Tax Formula as of the Transition Year. "**Transition Year**" means the first year in which the CFD Administrator determines that the Transition Event has occurred in the prior Fiscal Year, and "**Transition Event**" means the earlier of (i) July 1, 2068 or (ii) the Fiscal Year when the CFD Administrator determines that the following events have occurred: (i) all Bonds secured by the levy and collection of Special Tax A in the CFD have been fully repaid, (ii) all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and (iii) there are no other Authorized Facilities that the City intends to fund with Bonds and Facilities Taxes.

Assigned Special Tax A and Backup Special Tax A. The Maximum Special Tax A for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax A and (ii) the amount derived by application of the Backup Special Tax A. In the Transition Year and each Fiscal Year thereafter, no Special Tax A shall be levied on Undeveloped Property, unless there are delinquent Special Tax A

amounts on a Parcel of Undeveloped Property, in which case such delinquent Special Tax A amounts can continue to be levied against a parcel until they are collected.

Developed Property. Residential Property shall be assigned to Land Use Classes 1 through 5 as listed in Table 1 to the Special Tax Formula based on the Residential Floor Area for each Dwelling Unit. Non-Residential Property shall be assigned to Land Use Class 6. The Assigned Special Tax that shall be levied in Fiscal Year 2021-22 for each Assessor's Parcel classified as Developed Property is shown on Table 1. The Backup Special Tax A for an Assessor's Parcel of Developed Property shall equal $16,076 per Acre. On each July 1, commencing on July 1, 2020, the Assigned Special Tax A and the Backup Special Tax A shall be increased by an amount equal to two percent (2.00%) of the amount in effect for the previous Fiscal Year.

Furthermore, all Assessor's Parcels shall be relieved simultaneously and permanently from the obligation to pay and disclose the Backup Special Tax A if the CFD Administrator calculates that (i) the annual debt service required for the Outstanding Bonds, when compared to the Assigned Special Tax A that could be levied against all Assessor's Parcels of Developed Property, results in 110% debt service coverage (i.e., the Assigned Special Tax A that could be levied against all Developed Property in each remaining Fiscal Year based on the then existing development is at least equal to the sum of (a) 1.10 times the debt service necessary to support the remaining Outstanding Bonds in each corresponding Fiscal Year, and (b) the Administrative Expenses as defined in Section A of the Special Tax Formula), and (ii) all authorized Bonds have already been issued or the City has covenanted that it shall not issue any additional Bonds (except refunding bonds) to be supported by the Assigned Special Taxes.

In some instances, an Assessor's Parcel of Developed Property may contain more than one (1) Land Use Class. The Special Taxes levied on an Assessor's Parcel shall be the sum of the Special Taxes for all Land Use Classes located on that Assessor's Parcel. If an Assessor's Parcel of Developed Property includes both Residential Property and Non-Residential Property, the Acreage to be assigned to the Non-Residential Property for purposes of establishing the annual Special Tax A shall equal the Non-Residential Floor Area on the Assessor's Parcel divided by Total Floor Area on the Assessor's Parcel multiplied by the Acreage of the Assessor's Parcel. Furthermore, for a condominium plan, if only a portion of its building permits have been issued, the remaining portion of the condominium plan shall be considered Final Mapped Property. The CFD Administrator's allocation to each type of property shall be final.

The following table shows Assigned Special Tax rates and the Backup Special Tax rate per acre for Fiscal Year 2021-22.

Land Use Class	Property Description	FY 2021-2022 Assigned Special Tax
1	SINGLE FAMILY DETACHED (>3,000 SF)	$3,031
2	SINGLE FAMILY DETACHED (2,501 - 3,000 SF)	2,349
3	SINGLE FAMILY DETACHED (2,001 - 2,500 SF)	1,734
4	SINGLE FAMILY DETACHED (1,501 - 2,000 SF)	1,564
5	SINGLE FAMILY DETACHED (< 1,501 SF)	1,431
6	NON-RESIDENTIAL PROPERTY	16,725
BACKUP SPECIAL TAX PER ACRE:		$16,725

Final Mapped Property, Undeveloped Property, and Other Categories. The Fiscal Year 2019-2020 Maximum Special Tax for each Assessor's Parcel of Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be $16,076 per Acre. On each July 1, commencing on July 1, 2020, the Maximum Special Tax for Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be increased by an amount equal to two percent (2.00%) of the amount in effect for the previous Fiscal Year. The following table shows the final-mapped property special tax calculation for Fiscal Year 2021-22.

Final Mapped Property Special Tax Calculation (FY 2021-22)	
Final Mapped Property Acres	18.02
Maximum Special Tax (Per Acre)	$16,725
Total	**$301,393**

Annual Levy of Special Tax A. Commencing with Fiscal Year 2018-2019 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax A Levy as follows:

First: The Assigned Special Tax A shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax A for Developed Property.

Second: If additional monies are needed to satisfy the Special Tax A Requirement after the first step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Final Mapped Property until (i) the total Special Taxes levied under the first two steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on Final Mapped Property equal 100% of the Maximum Special Tax, whichever comes first.

Third: If additional monies are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property until (i) the total Special Taxes levied under the first three steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Tax A levied on Undeveloped Property equals 100% of the Maximum Special Tax A, whichever occurs first.

Fourth: If additional monies are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, then the levy of the Special Tax A on each Assessor's Parcel of Developed Property for which the Maximum Special Tax A is determined through the application of the Backup Special Tax A shall be increased in equal percentages from the Assigned Special Tax A up to 100% of the Maximum Special Tax A for each such Assessor's Parcel of Developed Property until (i) the total Special Taxes levied under the first four steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Developed Property equal 100% of the Maximum Special Tax A for Developed Property, whichever occurs first.

Fifth: If additional monies are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property until (i) the total Special Taxes levied under the first five steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Taxable Property Owner Association Property equal 100% of the Maximum Special Tax A for Property Owner Association Property, whichever occurs first.

Sixth: If additional monies are needed to satisfy the Special Tax A Requirement after the first five steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property until (i) the total Special Taxes levied under the first six steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Taxable Public Property equal 100% of the Maximum Special Tax A for Taxable Public Property, whichever occurs first.

Notwithstanding the above, the CFD Administrator or its designee may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax A in the first step (above), when (i) the City is no longer required to levy the Special Tax A beyond the first step (above) in order to meet the Special Tax A Requirement; and (ii) all authorized Bonds have already been issued or the City has covenanted that it will not issue any additional Bonds (except refunding bonds), to be supported by the Special Tax A.

Termination of the Special Tax. The Special Tax A will be levied and collected (up to maximum allowable amount) for as long as needed to pay the principal and interest on the Bonds and other costs incurred in order to construct and acquire the authorized public facilities; provided, however, the Special Tax A may not be levied after fiscal Year 2068-69.

Prepayment of the Special Tax. The Special Tax Formula provides that landowners may permanently satisfy all or a portion of the Special Tax by a cash settlement with the City. The amount of the prepayment required is to be calculated according to a formula set forth in the Special Tax Formula, which is generally based on the Parcel's share of the outstanding Bonds, remaining facilities costs which have not been bonded, the Reserve Fund, fees, call premiums, negative arbitrage and any expenses incurred by the City in connection with the prepayment and expected future facilities costs.

Annual Special Tax; Maximum Special Tax

The annual Special Tax will be calculated by the City and levied each year to meet the Special Tax Requirement for Facilities. However, in no event may the City levy a Special Tax in any year above the Maximum Annual Special Tax identified for each parcel in the Special Tax Formula. See "APPENDIX A – Rate and Method of Apportionment of Special Tax."

In addition to the maximum annual Special Tax rate limitation in the Special Tax Formula, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district 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. The debt service on the Bonds has been structured so that an annual Special Tax levy only on residential properties will be sufficient for annual payments on the Bonds, however in cases of significant delinquencies, default in the payment of principal of and interest on the Bonds may occur.

The Special Tax levy may include a pay-as-you-go component. The Special Tax Formula provides a mechanism whereby the City may utilize the pay-as-you-go component to pay for and/or reimburse developers of property in Improvement Area 1 for a portion of the cost of Improvements not funded by proceeds of the bonds issued for Improvement Area 1. In the event it is utilized, proceeds of the annual Special Tax levy will first be used to pay the Annual Costs other than pay-as-you-go expenditures and second, if the levy included a pay-as-you-go component, for authorized facilities costs not funded from Bond proceeds.

Levy and Collection of Special Taxes

The City shall cause Special Taxes in an amount corresponding to the Special Tax Requirement for Facilities to be levied each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which the County Treasurer-Tax Collector will accept the transmission of the Special Tax amounts for the parcels within Improvement Area 1 for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the County Treasurer-Tax Collector such data as the County Treasurer-Tax Collector requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within Improvement Area 1 required for the payment of principal of and interest on any outstanding Bonds of Improvement Area 1 becoming due and payable during the ensuing Bond Year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the rate and method of apportionment of the Special Taxes for Improvement Area 1 and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

Special Tax Fund

The City covenants that it will receive Net Taxes in trust for the Owners and will instruct the Chief Financial Officer to deposit all Net Taxes with the Fiscal Agent at least three Business Days prior to each Interest Payment Date, and the City shall have no beneficial right or interest in the amounts so deposited, except as provided by this Agreement. All such Net Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth in this Agreement, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the City.

Pursuant to the Fiscal Agent Agreement, the Fiscal Agent establishes as a separate fund to be held by the Fiscal Agent for the benefit of the owners of the Bonds, the Special Tax Fund. The Fiscal Agent is required to deposit the Special Taxes in the Special Tax Fund and thereafter transfer the Net Taxes on the dates and in the amounts in the following order of priority:

(1) To the Interest Account of the Special Tax Fund, at least one Business Day prior to each Interest Payment Date, the amount required to pay interest the Bonds on the immediately succeeding Interest Payment Date; provided, that to the extent that deposits have been made in the Interest Account from the proceeds of the sale of an issue of the Bonds, or otherwise, the transfer from the Special Tax Fund need not be made;

(2) To the Principal Account of the Special Tax Fund, at least one Business Day prior to each Interest Payment Date, the amount required to pay principal of the Bonds (including mandatory sinking fund payments) on the immediately succeeding Interest Payment Date; provided, that to the extent that deposits have been made in the Interest Account from the proceeds of the sale of an issue of the Bonds, or otherwise, the transfer from the Special Tax Fund need not be made;

(3) To the Redemption Account of the Special Tax Fund, moneys needed for the purpose of redeeming Bonds called for optional redemption prior to maturity, to be applied on or after the redemption date to the payment of principal, interest and premiums, if any, on the Bonds to be redeemed;

(4) To the Reserve Fund, after taking into account amounts then on deposit in the Reserve Fund, the amounts needed so that the amount in the Reserve Fund equals the Reserve Requirement; and

(5) To the Surplus Fund, as soon as practicable after each September 2, all remaining amounts in the Special Tax Fund. The amounts in the Surplus Fund are not pledged to the repayment of the Bonds and may be used by the City for any lawful purpose. Moneys deposited in the Surplus Fund shall be transferred by the Fiscal Agent upon the direction of the City.

Reserve Fund

The Fiscal Agent Agreement establishes the Reserve Fund, which shall be held by the Fiscal Agent in the amount of the Reserve Requirement for each separate Series of Bonds, and within the Reserve Fund a reserve account for each separate Series of Bonds. Moneys in each reserve account within the Reserve Fund are held in trust by the Fiscal Agent for the benefit of the Owners of the respective Series of Bonds as a reserve for the payment of principal of, and interest on, the respective Series of Bonds and are subject to a lien in favor of the Owners of the respective Series of Bonds.

In connection with the delivery of the 2020 Bonds, the 2020 Reserve Account was established within the Reserve Fund. Similarly, in connection with the delivery of the 2021 Bonds, the 2021 Reserve Account will be established within the Reserve Fund. *Each reserve account established within the Reserve Fund is available only for the payment of debt service on the Series of Bonds secured thereby. Accordingly, the 2021 Bonds are secured solely by the amounts in the 2021 Reserve Account of the Reserve Fund.*

Upon delivery of the 2021 Bonds, an amount will be deposited into the 2021 Reserve Account of the Reserve Fund such that the amount therein is equal to the "**Reserve Requirement**" for the 2021 Bonds, which means, as of the date of any calculation, an amount equal to the lesser of (a) Maximum Annual Debt Service on the respective Outstanding Series of Bonds, (b) 125% of the average Annual Debt Service on the respective Outstanding Series of Bonds, or (c) 10% of the original principal amount of the respective Series of Bonds (or the issue price of the respective Series of Bonds excluding accrued interest, if the net original issue discount or premium is less than 98% or more than 102% of the principal amount of the respective Series of Bonds), as calculated by the City. However, in no event will the City, in connection with the issuance of Additional Bonds covered by the Reserve Fund be obligated to deposit an amount in the Reserve Fund which is in excess of the amount permitted by the applicable provisions of the Tax Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict

the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit into the Reserve Fund is so limited, the Reserve Requirement will, in connection with the issuance of such Additional Bonds, be increased only by the amount of such deposit as permitted by the Code, and Improvement Area 1 may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Fund Credit Instrument in the Reserve Fund as described above.

The City is required to maintain an amount of money or other security equal to the Reserve Requirement for each Series of Bonds in the respective account within the Reserve Fund for such Series of Bonds at all times. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in each reserve account within the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Special Tax Fund in the event of any deficiency of the amount required for payment of the principal of, and interest on, a Series of Bonds on such Interest Payment Date.

The City has the right at any time to cause the Fiscal Agent to release funds from the Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (1) a Qualified Reserve Fund Credit Instrument, and (2) an opinion of Bond Counsel stating that such release will not, of itself, cause the portion of the interest on the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, the Fiscal Agent will transfer such funds from the Reserve Fund to the City. Prior to the expiration of any Qualified Reserve Fund Credit Instrument, the City is obligated either to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or to deposit or cause to be deposited with the Fiscal Agent an amount of funds such that the funds on deposit in the Reserve Fund together with all Qualified Reserve Fund Credit Instruments held by the Fiscal Agent is at least equal to the Reserve Requirement (which funds may come from a draw by the Fiscal Agent on the Qualified Reserve Fund Credit Instrument prior to its expiration). Any Qualified Reserve Fund Credit Instrument deposited with the Fiscal Agent shall contain instructions to the Fiscal Agent with respect to the purpose and use thereof.

Under the Fiscal Agent Agreement, a "**Qualified Reserve Fund Credit Instrument**" is defined as an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company, provided that all of the following requirements are met: (a) the long-term credit rating of such bank or insurance company is rated at the time of issuance in the "AA" category or higher by S&P or Moody's (without regard to qualifier); (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Special Tax Fund for the purpose of making payments required pursuant to the Fiscal Agent Agreement or the amount to be restored to the Reserve Fund if not timely renewed or extended.

If a Qualified Reserve Fund Credit Instrument were obtained in the future, and the long-term credit rating of the provider thereof was downgraded after the date of issuance of such Qualified Reserve Fund Credit Instrument, the City would not be obligated to replace the Qualified Reserve Fund Credit Instrument or otherwise fund the Reserve Fund.

Delinquent Payments; Teeter Plan; Covenant for Superior Court Foreclosure

General. The Special Tax will be collected in the same manner and the same time as *ad valorem* property taxes, except at the City's option, the Special Taxes may be billed directly to

property owners or collected at a different time to meet the City's financial obligations. In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Act to order institution of an action in superior court to foreclose the lien therefor.

Teeter Plan. In 1949, the California Legislature enacted an alternative method for the distribution of property taxes to local agencies. This method, commonly known as the Teeter Plan, is set forth in Sections 4701-4717 of Revenue and Taxation Code of the State of California. The San Joaquin County Board of Supervisors (the "Board of Supervisors") approved implementation of the Teeter Plan in November 1993, both as to general and special taxes entered and collected on the secured tax roll.

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes, special taxes and assessments are distributed to taxing agencies within a county included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. A county then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with the Teeter Plan, a county can advance to the participating taxing agencies an amount equal to 95% of the total then-prior years' delinquent secured property taxes, 100% of the total then-prior years' delinquent secured special taxes, including the associated penalties and interest, and 100% of the then-current year's secured roll levy.

The Teeter Plan remains in effect unless the Board of Supervisors orders discontinuance. The County policy provides that it may order discontinuance of the Teeter Plan as to special taxes for the next year if the rate of delinquency for a taxing district exceeds 3% in any Fiscal Year. Unless and until the Board of Supervisors orders discontinuance of the Teeter Plan with respect to the District, the City is credited with 100% of the scheduled Special Tax payments without regard to actual amounts collected. The City can give no assurance, however, that the Teeter Plan will be continued in future years.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a *pro rata* adjustment for the amount of the change is made on the records of the treasurer of the County and the County Auditor. Such an adjustment would be an offset to future distributions of tax revenues to the District.

So long as the County maintains its policy of collecting taxes pursuant to said procedures and the City meets the Teeter Plan requirements, the City will receive 100% of the annual installments levied on taxable parcels in the District without regard to actual collections. No assurance can be given that the County will continue to include special taxes levied within community facilities districts in the Teeter Plan, and the County could decide to discontinue the inclusion of such special taxes in the Teeter Plan at any time, or to discontinue the Teeter Plan in its entirety.

Foreclosure Covenant. The City has covenanted in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will annually on or before October 1 of each year review the public records of the County of San Joaquin 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 if the City determines on the basis of such review that:

- Aggregate Delinquencies. The amount so collected is deficient by more than 5% of the total amount of the Special Tax levied in such Fiscal Year, it will within 30 days thereafter institute foreclosure proceedings as authorized by the Act in order to

enforce the lien of the delinquent installment of the Special Tax against each separate lot or parcel of land in Improvement Area 1 for which such installment of the Special Tax is delinquent, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; or

- Individual Delinquencies. The amount so collected is deficient by less than 5% of the total amount of the Special Tax levied in Improvement Area 1 in such Fiscal Year, but that property owned by any single property owner in Improvement Area 1 is delinquent by more than $3,000 with respect to the Special Tax due and payable by such property owner in such Fiscal Year and prior Fiscal Year(s), it will within 30 days thereafter institute foreclosure proceedings as authorized by the Act in order to enforce the lien of the delinquent installment of the Special Tax against each such property, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale.

The Chief Financial Officer shall notify legal counsel of any such delinquency of which it is aware, and such legal counsel shall commence, or cause to be commenced, such actions to collect such delinquencies and subsequent foreclosure proceedings in such a manner as such counsel deems appropriate.

Notwithstanding the foregoing, the City's obligation to pursue foreclosure shall be at the option of the City so long as (i) the Teeter Plan is in effect with respect to any delinquent parcel meeting the conditions above, and (ii) there is no then-outstanding draw on any amounts in the Reserve Fund.

Foreclosure Proceedings. Under the Act, foreclosure proceedings are instituted by the bringing of an action in the superior court of the county in which the parcel lies, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. In such action, the real property subject to the special taxes may be sold at a judicial foreclosure sale for a minimum price that will be sufficient to pay or reimburse the delinquent special taxes.

The Owners of the 2021 Bonds benefit from the 2021 Reserve Account of the Reserve Fund established pursuant to the Fiscal Agent Agreement; however, if delinquencies in the payment of the Special Taxes with respect to the 2021 Bonds and other Series of Bonds are significant enough to completely deplete the amounts within the accounts within the Reserve Fund, there could be a default or a delay in payments of principal and interest to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of the proceeds of foreclosure sales. Provided that it is not levying the Special Tax at the Maximum Annual Special Tax rates set forth in the Special Tax Formula, the City may adjust (but not to exceed the Maximum Annual Special Tax and subject to the limitation described under the caption "– Special Tax Methodology – Limitation on Increases of Special Tax Levy" above) the Special Taxes levied on all property within Improvement Area 1 subject to the Special Tax to provide an amount required to pay debt service on the Bonds and to replenish the accounts within the Reserve Fund.

Under current law, a judgment debtor (property owner) has at least 120 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his or her only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (California Code of Civil Procedure Section 701.680).

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent upon the nature of the defense, if any, put forth by the debtor and the condition of the calendar of the superior court of the county. Such foreclosure actions can be stayed by the superior court on generally accepted equitable grounds or as the result of the debtor's filing for relief under the Federal bankruptcy laws. The Act provides that, upon foreclosure, the Special Tax lien will have the same lien priority as is provided for *ad valorem* taxes and special assessments. See "VALUE OF PROPERTY WITHIN IMPROVEMENT AREA 1 AND SPECIAL TAX BURDEN – Overlapping Liens and Priority of Lien."

No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the City to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the City, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the City could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the City becomes the purchaser under a credit bid, the City must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

Additional Bonds

The City has covenanted in the Fiscal Agent Agreement that Additional Bonds payable from the Special Taxes on a parity basis with the 2020 Bonds and the 2021 Bonds may only be issued for the purpose of refunding outstanding Bonds and so long as debt service on the refunding Bonds in each Bond Year is less than debt service on the Bonds refunded.

DEBT SERVICE SCHEDULE

The annual debt service on the Bonds (consisting of the 2020 Bonds and the 2021 Bonds), assuming no early redemptions, is set forth below.

Improvement Area 1 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Special Tax Bonds Series 2021
Debt Service Schedule

Period Ending (Sept. 1)	2020 Bonds Total	2021 Bonds Principal	2021 Bonds Interest	Bonds Total
2021	$332,430.32	--	$37,655.16	$37,655.16
2022	410,881.26	$25,000	167,356.26	192,356.26
2023	418,931.26	25,000	167,106.26	192,106.26
2024	431,681.26	25,000	166,856.26	191,856.26
2025	438,981.26	30,000	166,606.26	196,606.26
2026	445,981.26	40,000	165,406.26	205,406.26
2027	457,681.26	40,000	163,806.26	203,806.26
2028	463,931.26	50,000	162,206.26	212,206.26
2029	473,531.26	55,000	160,206.26	215,206.26
2030	482,531.26	65,000	158,006.26	223,006.26
2031	490,931.26	75,000	155,406.26	230,406.26
2032	503,731.26	75,000	152,406.26	227,406.26
2033	510,731.26	90,000	149,406.26	239,406.26
2034	524,550.00	90,000	147,381.26	237,381.26
2035	532,500.00	100,000	145,356.26	245,356.26
2036	545,000.00	105,000	142,981.26	247,981.26
2037	554,200.00	115,000	140,487.50	255,487.50
2038	567,600.00	120,000	137,612.50	257,612.50
2039	580,000.00	130,000	134,612.50	264,612.50
2040	591,400.00	135,000	131,200.00	266,200.00
2041	601,800.00	150,000	125,800.00	275,800.00
2042	611,200.00	165,000	119,800.00	284,800.00
2043	624,600.00	175,000	113,200.00	288,200.00
2044	636,800.00	190,000	106,200.00	296,200.00
2045	647,800.00	205,000	98,600.00	303,600.00
2046	662,600.00	215,000	90,400.00	305,400.00
2047	676,000.00	230,000	81,800.00	311,800.00
2048	688,000.00	245,000	72,600.00	317,600.00
2049	703,600.00	260,000	62,800.00	322,800.00
2050	717,600.00	280,000	52,400.00	332,400.00
		1,030,000	41,200.00	1,071,200.00
Totals	**$16,327,205.44**	**$4,535,000**	**$3,916,861.56**	**$8,451,861.56**

Source: Underwriter.

The annual debt service coverage on the Bonds (based on the Assigned Special Tax and the debt service on the Bonds) is shown below.

Improvement Area 1 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Estimated Debt Service Coverage Based on Assigned Special Tax

Bond Year Ending (Sept. 1)	Assigned Special Taxes[1]	Administrative Expenses	Special Taxes Available For Debt Service	2020 Bonds Debt Service[2]	2021 Bonds Debt Service[2]	Total Debt Service	Debt Service Coverage
2021	$675,663	$0	$675,663	$332,430.32	$37,655.16	370,085.48	1.8257x
2022	$689,176	($25,000)	$664,176	$410,881.26	192,356.26	603,237.52	1.1010x
2023	$702,959	($25,500)	$677,459	$418,931.26	192,106.26	611,037.52	1.1087x
2024	$717,018	($26,010)	$691,008	$431,681.26	191,856.26	623,537.52	1.1082x
2025	$731,359	($26,530)	$704,829	$438,981.26	196,606.26	635,587.52	1.1089x
2026	$745,986	($27,061)	$718,925	$445,981.26	205,406.26	651,387.52	1.1037x
2027	$760,906	($27,602)	$733,304	$457,681.26	203,806.26	661,487.52	1.1086x
2028	$776,124	($28,154)	$747,970	$463,931.26	212,206.26	676,137.52	1.1062x
2029	$791,646	($28,717)	$762,929	$473,531.26	215,206.26	688,737.52	1.1077x
2030	$807,479	($29,291)	$778,188	$482,531.26	223,006.26	705,537.52	1.1030x
2031	$823,629	($29,877)	$793,752	$490,931.26	230,406.26	721,337.52	1.1004x
2032	$840,101	($30,475)	$809,627	$503,731.26	227,406.26	731,137.52	1.1074x
2033	$856,903	($31,084)	$825,819	$510,731.26	239,406.26	750,137.52	1.1009x
2034	$874,042	($31,706)	$842,336	$524,550.00	237,381.26	761,931.26	1.1055x
2035	$891,522	($32,340)	$859,182	$532,500.00	245,356.26	777,856.26	1.1046x
2036	$909,353	($32,987)	$876,366	$545,000.00	247,981.26	792,981.26	1.1052x
2037	$927,540	($33,647)	$893,893	$554,200.00	255,487.50	809,687.50	1.1040x
2038	$946,091	($34,320)	$911,771	$567,600.00	257,612.50	825,212.50	1.1049x
2039	$965,013	($35,006)	$930,006	$580,000.00	264,612.50	844,612.50	1.1011x
2040	$984,313	($35,706)	$948,607	$591,400.00	266,200.00	857,600.00	1.1061x
2041	$1,003,999	($36,420)	$967,579	$601,800.00	275,800.00	877,600.00	1.1025x
2042	$1,024,079	($37,149)	$986,930	$611,200.00	284,800.00	896,000.00	1.1015x
2043	$1,044,561	($37,892)	$1,006,669	$624,600.00	288,200.00	912,800.00	1.1028x
2044	$1,065,452	($38,649)	$1,026,802	$636,800.00	296,200.00	933,000.00	1.1005x
2045	$1,086,761	($39,422)	$1,047,338	$647,800.00	303,600.00	951,400.00	1.1008x
2046	$1,108,496	($40,211)	$1,068,285	$662,600.00	305,400.00	968,000.00	1.1036x
2047	$1,130,666	($41,015)	$1,089,651	$676,000.00	311,800.00	987,800.00	1.1031x
2048	$1,153,279	($41,835)	$1,111,444	$688,000.00	317,600.00	1,005,600.00	1.1053x
2049	$1,176,345	($42,672)	$1,133,673	$703,600.00	322,800.00	1,026,400.00	1.1045x
2050	$1,199,872	($43,526)	$1,156,346	$717,600.00	332,400.00	1,050,000.00	1.1013x
2051	$1,223,869	($44,396)	$1,179,473	$0.00	1,071,200.00	1,071,200.00	1.1011x
Total	**$28,634,201**	**($1,014,202)**	**$27,619,999**	**$16,327,205.44**	**$8,451,861.56**	**$24,779,067.00**	

[1] Assigned Special Tax is shown on a fiscal year basis and represents a Special Tax levy equal to the Assigned Special Tax for Fiscal Year 2020-21, assuming full buildout, escalation at 2% per year. In addition to the maximum Assigned Special Tax rate set forth in the Special Tax Formula, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district 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.

[2] Debt service shown on a calendar year basis. Debt service and debt service coverage based on the Bonds. Does not include overlapping debt.

Source: Underwriter and DTA.

THE DISTRICT AND IMPROVEMENT AREA 1

Formation of the District and Improvement Area 1

On June 19, 2018, the City Council adopted the Resolution of Formation, which formed the District and Improvement Area 1 therein. The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed $15,000,000 for Improvement Area 1 and $60,000,000 for Improvement Area 2 at a special election in the District held on the same day. Change proceedings were undertaken in February 2020 to amend the rate and method of apportionment of special tax for each Improvement Area and modify the boundaries of the Improvement Areas.

Location and Description of the District and the Immediate Area

The District. The District is bounded on the west by Bishop Cut, on the north by Eight Mile Road, on the east by Regatta Lane and on the south by Disappointment Slough in the City. It is part of a larger development project, as described further herein. See "OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA 1."

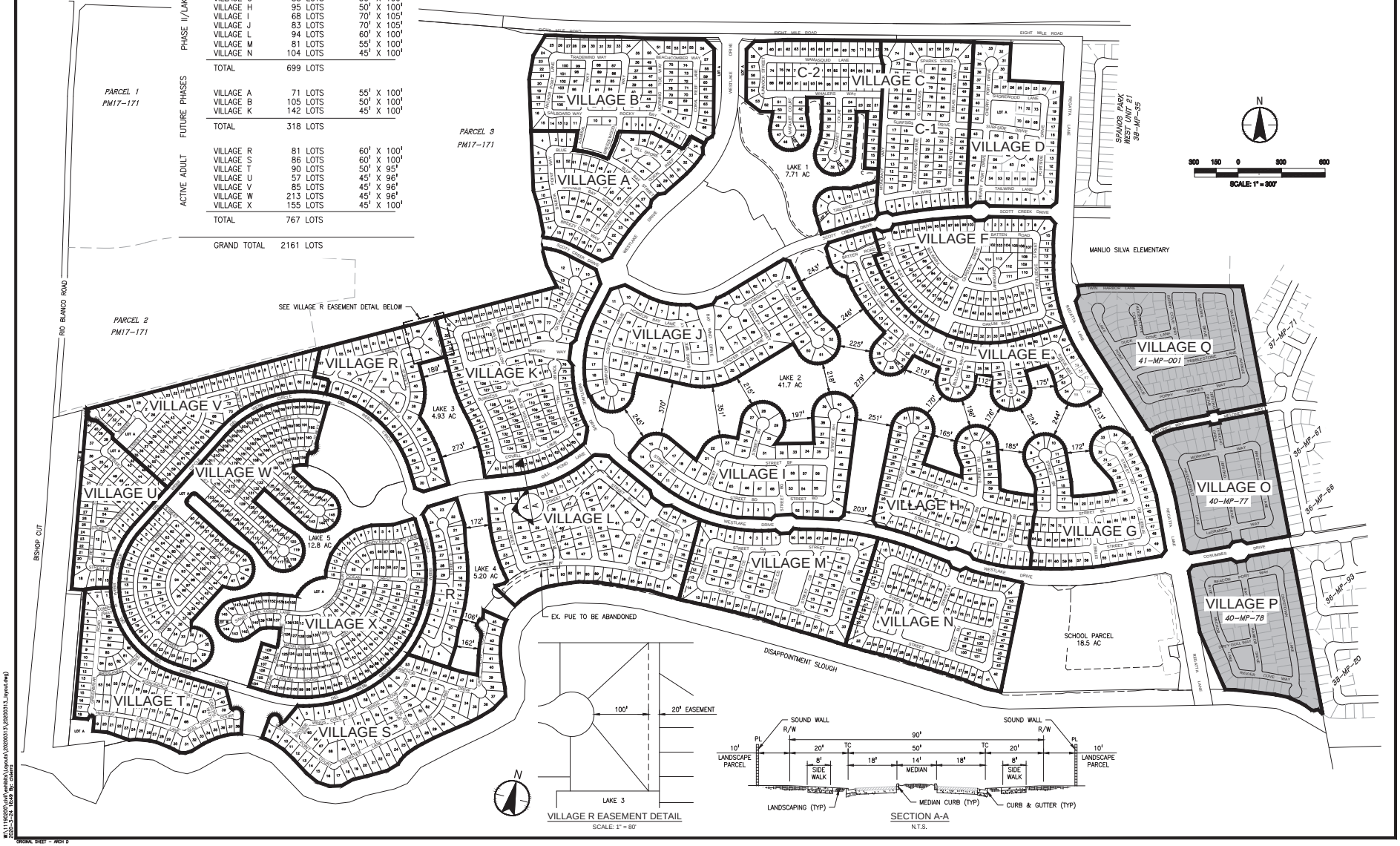
Maps. The maps on the following pages show the area of the District and Improvement Area 1 therein.

Improvement Area 1 of the City of Stockton
Community Facilities District No. 2018-2
(Westlake Villages II)

COMMUNITY FACILITIES DISTRICT NO. 2018-2 (WESTLAKE VILLAGES II) IMPROVEMENT AREA NO. 1

WESTLAKE VILLAGES

	VILLAGE	LOT COUNT	LOT SIZE
RECORDED MAPS	VILLAGE C1	87 LOTS	55' X 95'
	VILLAGE C2	101 LOTS	55' X 95'
	VILLAGE D	73 LOTS	55' X 95'
	VILLAGE F	116 LOTS	45' X 100'
	TOTAL	377 LOTS	
PHASE II/LAKE 2	VILLAGE E	86 LOTS	55' X 90'
	VILLAGE G	88 LOTS	50' X 100'
	VILLAGE H	95 LOTS	50' X 100'
	VILLAGE I	68 LOTS	70' X 105'
	VILLAGE J	83 LOTS	70' X 105'
	VILLAGE L	94 LOTS	60' X 100'
	VILLAGE M	81 LOTS	55' X 100'
	VILLAGE N	104 LOTS	45' X 100'
	TOTAL	699 LOTS	
FUTURE PHASES	VILLAGE A	71 LOTS	55' X 100'
	VILLAGE B	105 LOTS	50' X 100'
	VILLAGE K	142 LOTS	45' X 100'
	TOTAL	318 LOTS	
ACTIVE ADULT	VILLAGE R	81 LOTS	60' X 100'
	VILLAGE S	86 LOTS	60' X 100'
	VILLAGE T	90 LOTS	50' X 95'
	VILLAGE U	57 LOTS	45' X 96'
	VILLAGE V	85 LOTS	45' X 96'
	VILLAGE W	213 LOTS	45' X 96'
	VILLAGE X	155 LOTS	45' X 100'
	TOTAL	767 LOTS	
	GRAND TOTAL	2161 LOTS	



ORIGINAL SHEET - ARCH D

WHI CONSULTING ENGINEERS
430 10th Street
Modesto, CA 95354
Tel: 209.568.4477
Fax: 209.568.4478

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No.	MM.YY	Description	By	Appd.

Revision

Client/Project
EIGHT MILE DEVELOPMENT, INC.
WESTLAKE VILLAGES
STOCKTON, CALIFORNIA

Title
PROJECT LAYOUT - 03/23/2020

Engineer's Seal

Engineer's Signature:
Signature Date:

811
Know what's below. Call before you dig.

Project Engineer: ROB CHRISTENSEN
Project Number: 1119-0100
File Name: 20200313_layout.dwg

CLV	RFC	RFC	03.23.20
Dwn.	Chkd.	Dsgn.	MM.DD.YY

Sheet No.
1 of 1 sheets

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LENNAR.COM

Environmental Matters

Flood Zone. According to the Federal Emergency Management Agency (FEMA) National Flood Insurance Program, Flood Insurance Rate Map (FIRM), the subject is located within Zone X (areas outside of the 0.2% annual chance flood plain), as reflected by FEMA map panel 06077C-0295F (dated October 16, 2009).

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

Wildfire Hazards. Land in the District is not located in a High or Very High Fire Hazard Severity Zone (FHSZ), as defined by CAL FIRE.

The Improvements

The City will utilize proceeds of the Bonds (consisting of the 2020 Bonds and the 2021 Bonds) to reimburse costs expended for infrastructure facilities constructed and necessary to facilitate development in Improvement Area 1 and, more broadly, the District. Authorized District facilities consist generally of roadway improvements, water and wastewater system improvements, drainage system improvements, sound walls, landscaping and certain incidental expenses.

The Special Tax Formula provides that the funding of Improvement costs can also be made from collections of the Special Tax available as the "pay-as-you-go" component of Special Taxes. The pay-as-you-go funding component could provide for funding of the cost of the Improvements in excess of the amount provided from Bond proceeds through annual Special Tax collections in excess of the amount needed to pay the debt service on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology."

Market Absorption Report

In connection with the issuance of the 2021 Bonds, the City hired The Gregory Group, Folsom, California (the "**Absorption Consultant**") to perform market absorption study services related to the development of the 377 planned single-family homes in Improvement Area 1. The Absorption Consultant's report (the "**Absorption Report**") describes the planned development based on information available as of February 2021, and is attached hereto as APPENDIX C.

The Absorption Report included market pricing and absorption analysis for the 377 single-family homes planned for Improvement Area 1. The absorption analysis is based on information provided by the Master Developer to the Absorption Consultant (as well as estimates by the Absorption Consultant) which includes an estimate as to when the project will open for sales, infrastructure development, grading schedules, marketing considerations and anticipated market conditions. Furthermore, there are anticipated to be (and the market can sustain) several different projects selling simultaneously within each product type but built by different builders. Additional factors considered in predicting absorption rates are:

- The desirability of Westlake Villages as a new-home destination.
- Increasing new-home sales within the subject market area.
- Limited future inventory in the subject market area.
- Current absorption rates for similar product types within the subject market area.
- Overall improving economic conditions and excellent housing conditions within the North Central Valley Region.

The Absorption Consultant concludes that Improvement Area 1 can absorb an average of 1.07 units per week per product offering for all of the product offerings over the marketing life of the development given the pricing (with home sizes ranging from 1,500 to 3,156 square feet and base prices range from $435,000 to $563,490).

Based on the foregoing and as set forth in more detail in the Absorption Report, the Absorption Consultant's conclusions on absorption of the 377 single-family homes planned for Improvement Area 1 are set forth in the following table. As shown in the following table, all product offerings are anticipated to conclude sales by the Third Quarter of 2022, and the years to absorb the production homes is estimated to be 1.57 years from February 10, 2021, given the following hypothetical absorption schedule set forth in the Absorption Report:

Project – Developer	Total Units	Sold Through 2/10/2021	Remainder 2021	2022
Phase 1				
Seasons – Richmond Am. Homes	41	36	5	--
The Cove – Caresco Homes	26	25	1	--
The Keys – Lennar Homes	40	28	12	--
Regatta – [Sold Out]	73	73	--	--
Palomino – D.R. Horton	72	--	54	18
Phase 2				
The Cove – Caresco Homes	20	--	20	--
The Keys – Lennar Homes	61	--	35	26
Palomino – D.R. Horton	44	--	--	44
Totals	**377**	**162**	**127**	**88**

Note: The number of units that are being absorbed in the above table are based on home sales (i.e., entering into a contract) and are not based on actual closings to individual homeowners, as compiled by the Absorption Consultant. Caresco Homes reports that through 2/10/2021, it had sold 22 homes (not 25) in Phase 1, leaving 4 remaining to be sold, and it had sold 4 homes (not 0) in Phase 2, leaving 16 remaining to be sold.
Source: Absorption Consultant.

Neither the City nor the Underwriter is obligated to make, and neither has undertaken to make, an independent verification of the information contained in the Absorption Report and neither the City nor the Underwriter assumes responsibility for the accuracy or completeness of the Absorption Report. The Absorption Report should be read in its entirety, and a complete copy thereof is set forth as APPENDIX C – THE ABSORPTION REPORT.

OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA 1

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within Improvement Area 1. There is no assurance that the present property owners or any subsequent owners will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special Taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondowner

will have the ability at any time to seek payment directly from the owners of property within Improvement Area 1 of the Special Tax or the principal or interest on the Bonds, or the ability to control who becomes a subsequent owner of any property within Improvement Area 1.

The Master Developer and the Merchant Builders have provided certain information set forth in this section entitled "OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA 1." In addition, any Internet addresses included below are for reference only, and the information on those Internet sites is not a part of this Official Statement or incorporated by reference into this Official Statement. Certain other information contained below has been obtained from the Appraisal. See APPENDIX B.

No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. The Special Taxes are not personal obligations of the developers or of any subsequent landowners; the Bonds are secured only by the Special Taxes and moneys available under the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS" and "SPECIAL RISK FACTORS" herein.

Current Ownership

The following table shows the Assigned Special Taxes and Share of Assigned Special Taxes among the owners of property in Improvement Area 1 as of March 29, 2021 (the date of value of the Appraisal), assuming full build-out. The Special Tax for Fiscal Year 2021-22 will be levied on Developed Property and Final Mapped Property, as defined in the Special Tax Formula, which means the share of special taxes levied on, and payable by, the Master Developer will be higher than shown in the following table. Additional information on the Master Developer and each of the Merchant Builders and their planned development in Improvement Area 1 and the estimated special taxes to be levied on each for Fiscal Year 2021-22 based on building permits issued as of April 2, 2021 is provided herein.

Table 1
Improvement Area 1 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Ownership Based on Assigned Fiscal Year 2021-22 Special Tax
(Assuming Full Build-Out)

Owners of Record	Number of Lots[1]	Est. FY 2021-22 Assigned Special Taxes[2]	Share of FY 2021-22 Assigned Special Taxes
Lennar Homes	88	$182,805	26.53%
Individual Home Owners	92	155,957	22.63
D.R Horton	72	113,262	16.43
Master Developer (EMDI) [3]	44	69,216	10.04
Richmond American Homes	41	96,569	14.01
Caresco Homes	40	71,367	10.36
Total:	**377**	**$689,176**	**100.00**%

[1] Ownership of lots based on Appraisal as of March 29, 2021.
[2] Estimates, subject to change. Assumes full build-out. Actual levy for Fiscal Year 2021-22 will consist of levy on Developed Property and Final Mapped Property. See Table 5B herein.
[3] The 44 lots owned by the Master Developer are under contract to be sold to D.R. Horton and expected to close in October 2021. However, no assurance can be given that D.R. Horton will close on the 44 lots.
Source: DTA.

Development Plan and Current Status

General. The District (Improvement Area 1 and Improvement Area 2) is planned to be developed into 2,161 homes ranging in size from 1,400 to 3,500 square feet. It is bounded on the west by Bishop Cut, on the north by Eight Mile Road, on the east by Regatta Lane and on the south by Disappointment Slough in the City. The land in the District is part of a larger residential community referred to as the "Westlake Villages Development," being developed by the Master Developer in the City (herein, the "**Westlake Villages Development**").

The Westlake Villages Development includes approximately 682 acres that is planned for approximately 2,161 homes including 767 active adult (55+ age-restricted) homes (not including the 322 single-family homes built in the initial phase of the Westlake Village Development that are located outside the District, referred to by the Master Developer as villages O, P & Q) and approximately 68 acres of lakes, an 11-acre community park and a recreation center to be located on 5 acres. There is no commercial component to the Westlake Villages Development. The Westlake Villages Development covers the land in Improvement Area 1 of the District as well as in Improvement Area 2 of the District and other land outside of the District. Only the land in Improvement Area 1 is security for the Bonds.

The Master Developer maintains an internet website (www.westlakeliving.com) for the Westlake Villages Development. The website address is given for reference and convenience only, and the information on the website may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

Phasing of Planned Development. The Master Developer has been, and plans to continue, constructing backbone and in-tract infrastructure necessary to bring all of the land in Improvement Area 1 into final lot condition in connection with selling lots to merchant builders and others over time.

Backbone Infrastructure and Other Development Conditions. The Development Agreement and Subdivision Agreement require satisfaction of various items as conditions of development of the Westlake Villages Development. All of the backbone infrastructure improvements necessary for the build-out of the 377 single-family homes in Improvement Area 1, including a sewer lift station, artificial lake for drainage, backbone roads and related improvements, have been completed or are currently under construction. A listing of the key capital improvements – both backbone infrastructure and in-tracts – follows on the next page.

Master Developer's Estimated Cost and Completion of List of Key Capital Improvements and In-Tracts As of February 1, 2021

List of Capital Improvements/Discrete Components	Planning Area	Total Costs Estimated [1]	Percent of Total Cost Estimate	Completion Percentage / Expended to Date	Allocated to Villages C, D, F [2]
WATER IMPROVEMENTS					
VILLAGE C IN-TRACT	1	$935,000	1.36%	100.00%	$935,000
VILLAGE D IN-TRACT	1	$340,000	0.50%	100.00%	$340,000
VILLAGE F IN-TRACT	1	$475,000	0.69%	100.00%	$475,000
SUBTOTAL		**$1,750,000**	**2.55%**		**$1,750,000**
SANITARY SEWER IMPROVEMENTS					
VILLAGE C IN-TRACT	1	$670,000	0.98%	100.00%	$670,000
VILLAGE D IN-TRACT	1	$270,000	0.39%	100.00%	$270,000
VILLAGE F IN-TRACT	1	$410,000	0.60%	100.00%	$410,000
SUBTOTAL		**$1,350,000**	**1.97%**		**$1,350,000**
STREET/ROADWAY IMPROVEMENTS					
VILLAGE C SPINE	1	$1,160,000	1.69%	100.00%	$1,160,000
VILLAGE C IN-TRACT	1	$2,710,000	3.95%	100.00%	$2,710,000
VILLAGE D SPINE	1	$3,010,000	4.39%	100.00%	$1,505,000
VILLAGE D IN-TRACT	1	$1,305,000	1.90%	100.00%	$1,305,000
VILLAGE F SPINE	1	$515,000	0.75%	100.00%	$257,500
VILLAGE F IN-TRACT	1	$1,665,000	2.43%	75.00%	$1,665,000
VILLAGE E SPINE	2	$0	0.00%	0.00%	$0
VILLAGE G SPINE	2	$3,085,000	4.49%	0.00%	$0
VILLAGE H SPINE	2	$0	0.00%	0.00%	$0
VILLAGE N SPINE	2	$1,870,000	2.72%	0.00%	$0
VILLAGE A SPINE	3	$0	0.00%	0.00%	$0
VILLAGE B SPINE	3	$7,435,000	10.83%	0.00%	$0
VILLAGE I SPINE	3	$0	0.00%	0.00%	$0
VILLAGE J SPINE	3	$1,610,000	2.35%	0.00%	$0
VILLAGE M SPINE	3	$0	0.00%	0.00%	$0
FINAL 8 MILE ROAD IMPROVEMENTS	3	$3,265,000	4.76%	0.00%	$0
VILLAGE K SPINE	4	$0	0.00%	0.00%	$0
VILLAGE L SPINE	4	$0	0.00%	0.00%	$0
REGATTA MEDIAN	4	$3,000,000	4.37%	50.00%	$1,500,000
SUBTOTAL		**$30,630,000**	**44.63%**		**$10,102,500**
STORM DRAIN IMPROVEMENTS					
STORM WATER OUTFALL	1	$6,630,000	9.66%	0.00%	$6,630,000
VILLAGE C IN-TRACT	1	$300,000	0.44%	100.00%	$300,000
VILLAGE D IN-TRACT	1	$185,000	0.27%	100.00%	$185,000
VILLAGE F IN-TRACT	1	$370,000	0.54%	100.00%	$370,000
SUBTOTAL		$7,485,000	10.91%		$7,485,000
PARKS AND RECREATIONAL IMPROVEMENTS					
VILLAGE D PARK	1	$720,000	1.05%	50.00%	$720,000
VILLAGE F PARK	1	$1,005,000	1.46%	0.00%	$1,005,000
LAKE 1	1	$2,795,000	4.07%	100.00%	$2,795,000
VILLAGE N PARK		$1,005,000	1.46%	0.00%	$0
REC CENTER 1	3	$6,210,000	9.05%	0.00%	$0
VILLAGE B PARK	3	$1,005,000	1.46%	0.00%	$0
VILLAGE M PARK	3	$1,005,000	1.46%	0.00%	$0
LAKE 2	3	$6,660,000	9.70%	0.00%	$0
12' LEVEE BIKE PATH	3	$700,000	1.02%	0.00%	$0
VILLAGE L PARK	4	$1,005,000	1.46%	0.00%	$0
LAKE 3	4	$2,515,000	3.66%	0.00%	$0
LAKE 4	4	$2,795,000	4.07%	0.00%	$0
SUBTOTAL		**$27,420,000**	**39.95%**		**$4,520,000**
TOTAL ESTIMATE		**$68,635,000**	**100.00%**		**$25,207,500**

[1] Estimates, subject to change.
[2] To be financed from various bond issuances.
Source: Master Developer.

Utilities. It is expected that utility service for the taxable property in Improvement Area 1 will be provided by the following entities:

Utility	**Provider**
Water/Sewer	City of Stockton
Electricity/Natural Gas	Pacific Gas & Electric (PG&E)
Data/Phone	Comcast/AT&T

Final Map Status. Final subdivision maps have been recorded for all lots within Improvement Area 1. The final mapped lots are located in Villages C-1, C-2, D and F of the development and owned by the various Merchant Builders or under contract for sale to the various Merchant Builders, as shown in the following table.

Owner	**Village(s)**	**No. of Lots**
Phase 1 (180 Lots):		
Richmond American Homes	C-1	41
Caresco Homes	C-1	26
Lennar Homes	C-2	40
Regatta Partners	D	73
Phase 2 (197 Lots):		
Master Developer/Caresco Homes	C-1	20
Master Developer/Lennar Homes	C-2	61
Master Developer/D.R. Horton	F	116
Total		

Source: Master Developer.

Pending Sales of Lots to Merchant Builders. Of the 377 single-family homes planned for Improvement Area 1, 333 lots have already been sold and closed to the Merchant Builders, with the remaining 44 lots in Village F under contract to D.R. Horton and expected to be closed by October 2021.

The Master Developer has entered into a purchase and sale agreement with each Merchant Builder, pursuant to which the applicable Merchant Builder agrees to purchase the applicable number of lots, subject to certain terms and conditions. See "–Lennar Homes," "–Richmond American Homes," "–Regatta Partners," "–Caresco Homes," "–D.R. Horton," respectively, for additional information on each of the Merchant Builders.

The property under contract to each Merchant Builder is shown in the following table:

Merchant Builder	Village(s)	Total No. of Lots	Lots Closed to Builder	Lots Anticipated to Close in Future	Expected Final Closing Date
Regatta Partners	Village D	73	73	--	N/A
Richmond Am. Homes	Village C-1 (portion)	41	41	--	N/A
Caresco Homes	Village C-1 (portion)	46	46	--	N/A
Lennar Homes	Village C-2	101	101	--	N/A
D.R. Horton	Village F	116	72	44	Oct. 2021
Total		**377**	**333**	**44**	

Source: Master Developer.

Sales of Homes to Individual Homeowners. Regatta Partners, an entity owned by FCB Homes and the Master Developer, has sold all 73 homes in Village D to individual homeowners and is now sold-out. The other Merchant Builders active in Improvement Area 1 are also selling homes to individual homeowners, as described in more detail below.

Development Agreement and Subdivision Agreement

Development Agreement. The City entered into a Development Agreement in September 2004 (as amended to date, the "**Development Agreement**") with Spanos Family Partnership, a California general partnership and certain individuals to which Stockton Westlake Investment, LLC, and the Merchant Builders are successors in interest with respect to the land owned by each party in the District. The Development Agreement's purpose is to preserve existing policies, rules and regulations with respect to the Westlake Villages Development. All of the property in the District is subject to the requirements of the Development Agreement. The Development Agreement was entered into in accordance with Sections 65864 through 65869.5 of the California Government Code, as implemented through the Stockton City Code. The Development Agreement runs with the property and is set to expire on January 10, 2040.

Subdivision Agreement. The City entered into a Subdivision Agreement on January 31, 2006 (as amended to date, the "**Subdivision Agreement**") with Spanos Family Partnership, a California general partnership, which subsequently assigned the Subdivision Agreement to Stockton Westlake Investment, LLC. The Subdivision Agreement is the primary implementation tool for the development of the Westlake Villages project and creates a binding contract between the City and the parties thereto, and their assigned successors in interest, which sets forth the needed infrastructure improvements, park dedication requirements, timing and method for financing improvements and other specific performance obligations of the City and the Master Developer and its successors, including obligations related to development of the property in the District, with the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of the property in the District. Included are provisions relating to infrastructure improvements, public dedication requirements, landscaping amenities and other obligations of the parties.

The Subdivision Agreement runs with the property, and may be modified only by mutual consent of the parties. With the Agreement in place, subject to compliance with the terms of the Agreement, construction of homes within the District may occur upon City approval of subdivision maps, satisfaction of certain design requirements and conditions of such maps and issuance of building permits.

The Master Developer

Ownership Structure of Master Developer. The Master Developer has been installing the public improvements necessary for development of the District, exercising options to purchase land within the District from Stockton Westlake Investments, LLC, and selling lots to merchant builders. Both the Master Developer and Stockton Westlake Investments, LLC are owned by members of the Spanos family. The Master Developer has been involved in the entitlement and development of the Westlake Villages Development since 2014. The Spanos family, through various entities, has owned the land for more than 25 years.

Relevant Experience of Spanos Family and Related Entities. Starting in 1960 by Alex G. Spanos, the Spanos family has formed a variety of privately held real estate companies focused on the development of multi-family housing and master planned communities (collectively, the "**Spanos Family Companies**"). Over the past 60 years, Spanos Family Companies have developed more than 125 apartment projects across the country consisting of over 50,000 apartment units. Spanos Family Companies currently have offices in 7 states, with the primary office located in Stockton, California. Additionally, the Spanos family has owned a majority stake in the Los Angeles Chargers football team (previously the San Diego Chargers) for over 35 years.

Spanos Family Companies have worked on master planned communities in Stockton for more than 25 years. Spanos Family Companies have entitled and sold Spanos Park West, a largely residential subdivision in the City, including more than 1,700 homes built to the immediate east of Westlake Villages Development, along with the Parkwest Place shopping center and apartments and Walmart in the late 1990's and early 2000's. Preceding that project, Spanos Family Companies entitled and sold Spanos Park East, a residential subdivision in the City, including approximately 1,000 homes located on the east side of Highway 5 in the City that were built in the early 1990s.

Master Developer's Financing Plan

Cost Incurred for the Improvements. The Master Developer has expended over $35 million dollars on the construction and installation of the land development improvements for Improvement Area 1 (the "**Improvements**"), which commenced in late 2018. The Improvements include spine road infrastructure on Regatta Lane, Scott Creek Drive, traffic signals located at Eight Mile Road & Regatta Lane and Scott Creek Drive & Regatta Lane, perimeter precast masonry walls, common area landscaping, an artificial lake, sanitary lift station, wet utility trunk lines (storm drain, sanitary sewer, water, and non-potable water lines) and partial improvements to Eight Mile Road. Further, the Improvements include the in-tract construction and installation of paved streets, wet utility trunk lines (storm drain, sanitary sewer, water and non-potable water lines), joint trenches for dry utilities, curbs, gutters, and sidewalks. All required fees and engineering and consulting required entitlements, permits and soft costs have been paid for the Improvements.

Remaining Cost of the Improvements. All in-tract improvements in Villages C-1, C-2, D and F are complete (including Lake 1), paid for and accepted by the City of Stockton. Except for common area landscaping along Scott Creek Drive in front of Village F, all off-site spine road infrastructure has been installed, paid for, and accepted by the City of Stockton. In-tract improvements in Village F are complete and accepted by the City of Stockton. The park in Village F is under construction as of Spring 2021, with completion scheduled for August 2021. The

estimated remaining costs to finish all Improvements is $1 million and construction of the Improvements is scheduled to be completed by August 2021.

See the table above, for a detailed break-down of the status and costs of the backbone and in-tract improvements constructed by the Master Developer. This information is summarized for the entirety of the land in Improvement Area 1 in the following table.

Table 2
Improvement Area 1 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Master Developer's Estimated Costs of Improvements
As of February 1, 2021

Types of Improvements	Estimated Total Cost	Costs Spent as of February 1, 2021	% of Completion	Remaining Costs
Backbone Infrastructure and In-Tract Improvements[1]	$36,000,000	$35,000,000	97.2%	$1,000,000

[1] For additional details, see the table under "–Development Plan and Current Status."
Source: Master Developer.

Notwithstanding the belief of the Master Developer that it will have sufficient funds to complete its planned development, no assurance can be given that sources of financing available to the Master Developer will be sufficient to complete such development as currently anticipated. While the Master Developer has made internal financing available in the past for similar activities, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither the Master Developer nor the Spanos Family Companies or any of their affiliates has any legal obligation of any kind to make any such funds available or to obtain loans or lines of credit. If and to the extent that internal financing, loan proceeds, lines of credit, or bond proceeds are inadequate to pay the costs to complete the Master Developer's planned development, there could be a shortfall in the funds required to complete such proposed development and portions of such development might not be completed.

Funding Sources. The Master Developer has used, and intends to use, the following sources of funds to finance the Improvements for the Westlake Villages Development:

- Equity from the partner-entities comprising the Master Developer (see "–The Master Developer," above, for more information about these entities).

- Sales of lots in Improvement Area 1 and Improvement Area 2 to merchant builders and other developers (see "–The Merchant Builders" herein).

- Proceeds of the Bonds and parity special tax bonds secured by Improvement Area 1, and bonds issued for land within Improvement Area 2.

- Pay-as-you-go Special Taxes available to the Master Developer under the Acquisition Agreement (see "–Acquisition Agreement" below).

Acquisition Agreement. In connection with the formation of the District, the City and the Master Developer entered into a Funding, Construction and Acquisition Agreement (the "**Acquisition Agreement**") which provides that the Master Developer will construct (or cause to

be constructed or funded) the Improvements, and the City, upon completion of construction and acceptance (or through progress payments prior to completion of the entire Improvement), will purchase the Improvements or reimburse the Master Developer for expended amounts from the proceeds of the Bonds and/or Special Taxes on a pay-as-you-go basis. The Master Developer will be responsible for the portion of the cost of construction of the Improvements not paid with Bond proceeds.

The Rate and Method provides that the funding of Improvement costs can also be made from collections of the Special Tax available as the "pay-as-you-go" component of Special Taxes. The pay-as-you-go funding component is expected to provide for funding of the cost of a portion of the Improvements in excess of the amount provided from bond proceeds (if such proceeds are not sufficient) through annual Special Tax collections in excess of the amount needed to pay the debt service. The City contemplates utilizing this funding mechanism during the time the Bonds are outstanding. Additionally, after the final maturity date of the Bonds and any additional bonds issued to reimburse developers for costs of the Improvements, the City expects to continue to levy Special Taxes for payment of the "Development Impact Fee Deferral" (as defined in the Rate and Method) which levy may secure future bonds issued after payment in full of the Bonds and any additional bonds issued under the Fiscal Agent Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology" and " – Special Tax Fund."

Regatta Partners

Development Plan – Sold Out. Regatta Partners purchased 73 lots from the Master Developer, which finished lots are identified as Village D. The Regatta community is sold out, with 8 homes remaining to close escrow to homeowners.

About Regatta Partners. Regatta Partners is an entity owned by the Master Developer and FCB Homes. FCB Homes is never vested with ownership of either the lots or homes it constructs in Improvement Area 1. FCB Homes is a privately held regional builder and developer head quartered in Stockton. FCB Homes has built over 4,500 homes and has 30 years of experience in the Central Valley of California, including Stockton, Lodi and Manteca. In addition to its Westlake Villages project, it is currently building and selling homes in its "Mayfair" community in Lodi, California, and anticipates soon selling homes in its "Valencia at Rose Gate" community which is also in Lodi. Its President is Tom Doucette. FCB Homes maintains an internet website (www.fcbhomes.com). The website address is given for reference and convenience only, and the information on the website may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

Caresco Homes

Development Plan. In late 2020 Caresco Homes purchased 46 finished lots in Village C-1 from the Master Developer. Caresco Homes plans to build out these units in 5 floor plans within its "The Cove" neighborhood. Caresco Homes has increased its sales prices for the homes, with the average square feet of 1,838 to 2,660 and current estimated base prices of $486,990 to $547,990. The first homes in the neighborhood were sold in September 2020, with closings to individual homeowners in January 2021. As of March 29, 2021 (the date of value of the Appraisal), Caresco Homes had transferred 6 homes to individual homeowners, and owned 38 vacant finished lots, 16 homes under construction, and 2 completed homes (models). As of May 1, 2021, Caresco Homes had transferred 6 homes to individual homeowners, started construction on 18

homes and sold 6 homes. At the current sales pace, Caresco Homes expects to complete the sale of all 46 homes by Spring 2022.

About Caresco Homes. Caresco Homes is a privately held regional builder with more than 30 years of experience in the Central Valley of California, and a headquarters in Stockton. It has built more than 1,000 homes throughout the County. In addition to its Westlake Villages project, it is building and selling homes in Stockton, Lodi, Manteca and Woodbridge, California. Its primary owners and managers are Mike and Doug Carruesco. Caresco Homes maintains an internet website (www.carescohomes.com). The website address is given for reference and convenience only, and the information on the website may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference. Caresco Homes plans to fund its home construction costs through internally generated funds and sales of homes to individual homeowners.

Although Caresco Homes expects to have sufficient funds available to undertake and complete its development activities in Improvement Area 1, there can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available to Caresco Homes when needed. Any contributions Caresco Homes or its affiliates to fund the costs of such development and home construction 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 Caresco Homes and other financing by Caresco Homes is not put into place, there could be a shortfall in the funds required to complete the proposed development by Caresco Homes in Improvement Area 1 and the remaining portions of the development may not be developed.

Richmond American Homes

Development Plan. Richmond American Homes purchased 41 lots from the Master Developer in finished lot condition, which lots are identified as a portion of Village C-1. Richmond American Homes has entered into purchase and sale agreements and has approved feasibility to purchase additional lots in Village L (96 lots) and Village N (112 lots) at Westlake, which lots are within Improvement Area 2 and not within Improvement Area 1. No assurance can be given that Richmond American Homes will acquire any additional lots in the District.

Richmond American Homes is marketing its homes in Village C-1 as its "Seasons at Westlake Village" neighborhood. The homes under construction by Richmond American Homes within the Seasons at Westlake Village neighborhood range in size from approximately 2,080 square feet to approximately 3,040 square feet, with estimated base sales prices as of March 29, 2021 (the date of value of the Appraisal) ranging from approximately $447,950 to approximately $502,950. Base sales prices are subject to change and exclusive of lot premiums, the sale of options and extras and any incentives or price reductions.

The first homes in the neighborhood were sold in late 2020, with initial home closings to individual homeowners expected to occur in April 2021. As of March 29, 2021 (the date of value of the Appraisal), Richmond American Homes had not transferred any homes to individual homeowners, two completed homes (the models) were owned by Richmond American Homes, 35 home were under construction, and construction had yet commence on the remaining four vacant finished lots. As of May 1, 2021, Richmond American Homes had not transferred any homes to individual homeowners and started construction on all 41 homes, 40 of which were under contract (in escrow). At the current sales pace, Richmond American Homes expects to complete the construction of and convey all 41 homes by the end of 2021.

About Richmond American Homes and its Parent Corporation. Richmond American Homes is a subsidiary of M.D.C. Holdings, Inc., a Delaware corporation ("**MDC**"). MDC is a publicly traded company whose common stock is traded on the NYSE under the symbol "MDC." Richmond American Homes and its predecessor entities have been building homes in California since 1986. Richmond American Homes' Sacramento Division, which is based in Roseville, California, is responsible for the development of Richmond American Homes' property in Improvement Area 1. MDC has two primary operations – homebuilding and financial services. MDC's homebuilding operations consist of wholly-owned subsidiary companies that build and sell homes under the name "Richmond American Homes." MDC's financial services operations include subsidiary companies that provide mortgage financing, place title insurance and homeowner's insurance for Richmond American Homes' homebuyers and provide general liability insurance for MDC subsidiaries and most of Richmond American Homes' subcontractors.

MDC is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and in accordance therewith is obligated to file reports, proxy statements and other information, including financial statements, with the SEC. Such filings, including particularly MDC's annual report on Form 10-K for the fiscal year ended December 31, 2020, as filed with the SEC on February 2, 2021, and its quarterly report on Form 10-Q for the quarterly period ended March 31, 2021, as filed with the SEC on April 29, 2021, set forth certain data relative to such consolidated results of operations and financial position of MDC and its subsidiaries as of such dates. The SEC maintains an internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including MDC. The address of such internet website is www.sec.gov. All documents subsequently filed by MDC pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of MDC's annual report and related financial statements, prepared in accordance with generally accepted accounting standards, are also available from MDC on MDC's website at www.mdcholdings.com.

The foregoing internet addresses and references to filings with the SEC are included for reference only, and the information on such internet sites and on file with the SEC are not a part of this Official Statement and are 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 such sites. Neither Richmond American Homes nor MDC is obligated to advance funds for construction or development or to pay ad valorem property taxes or the Special Taxes, and investors should not rely on the information and financial statements contained on such internet sites in evaluating wither to buy, hold or sell the 2021 Bonds. Although Richmond American Homes expects to have sufficient funds available to undertake and complete its development activities in Improvement Area 1, there can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available to Richmond American Homes when needed. Any contributions Richmond American Homes or its affiliates to fund the costs of such development and home construction 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 Richmond American Homes and other financing by Richmond American Homes is not put into place, there could be a shortfall in the funds required to complete the proposed development by Richmond American Homes in Improvement Area 1 and the remaining portions of the development may not be developed.

Lennar Homes

Development Plan. Lennar Homes purchased 101 finished lots in Village C-1 from the Master Developer in two take-downs (40 lots in June 2020, the remaining 61 lots in March 2021). Lennar Homes plans to build out these units with 5 floor plans within its "The Keys at Westlake" neighborhood, with the homes having an average square feet of 1,662 to 3,156 and estimated base prices of $495,990 to $602,990. The first homes in the neighborhood went under

contract in July 2020 and closed escrow in December 2020. As of March 29, 2021 (the date of value of the Appraisal), Lennar Homes had transferred 13 homes to individual homeowners, and owned 54 vacant finished lots, 29 homes under construction, and 5 completed homes (models). As of May 1, 2021, Lennar Homes had transferred 17 homes to individual homeowners, started construction on 51 homes and sold 37 homes. At the current sales pace, Lennar Homes will complete the sale of all 101 homes by the end of 2022.

About Lennar Homes and its Parent Corporation. Lennar Homes is based in Irvine, California, and has been in the business of developing residential real estate communities in California since 1995. Lennar Homes is wholly-owned by U.S. Home Corporation, a Delaware corporation; U.S. Home is wholly-owned by Lennar Corporation. Lennar Corporation is a diversified real estate company headquartered in Miami, Florida and publicly traded on the New York Stock Exchange under the symbol LEN. Lennar Corporation started as a Dade County, Florida homebuilder in 1954 and currently reports that it is one of the largest homebuilders in the United States with operations in Arizona, California, Colorado, Florida, Illinois, Maryland, Minnesota, Nevada, New Jersey, North Carolina, Ohio, Pennsylvania, South Carolina, Texas, Virginia, West Virginia, and Wisconsin.

Lennar Corporation is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports, proxy statements and other information with the SEC. Such filings, particularly the Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such files can also be accessed over the Internet at the SEC's website at www.sec.gov. Copies of such material can be obtained from the public reference section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the office of the NYSE at 20 Broad Street, New York, New York 10005. Additionally, Lennar Corporation provides investor relations information on its website (www.lennar.com). The website address is given for reference and convenience only. The information on the website may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference. Lennar Homes plans to fund the purchase of the lots from the Master Developer and its home construction costs through internally generated funds and sales of homes to individual homeowners.

Recent Litigation Against Lennar Corporation. A lawsuit was filed in the State Court of California against Lennar Corporation relating to Lennar Corporation and LandSource Communities Development, LLC, a Delaware limited liability company ("**LandSource**"), in which the California Public Employees' Retirement System ("**CalPERS**") invested in 2007 ("**Complaint**"). LandSource filed for bankruptcy on June 8, 2008 ("**LandSource Bankruptcy Matter**"), and a plan for reorganization was approved by the bankruptcy court on July 20, 2009. (In re: LandSource Communities Development LLC, et al, Case No. 08-11111, United States Bankruptcy Court, District of Delaware.)

The Complaint, which was filed as a qui tam action by a newly created limited liability company, makes a number of claims related to Lennar Corporation's actions regarding LandSource and the related bankruptcy and seeks injunctive relief and damages (including statutory and treble) relating to CalPERS' alleged $970 million loss. Lennar Corporation filed a petition to remove the Complaint to federal court (Citizens Against Corporate Crime (**"CACC"**) v. Lennar Corporation (9th Circuit, California Eastern District Court, Case No. 2:2018cv01269). Lennar Corporation also filed a Motion to Reopen the Chapter 11 Bankruptcy

Cases for the Limited Purpose of Enforcing the Injunction and Release in the Debtors' Joint Chapter 11 Plan and Confirmation Order. Lennar Corporation contended that in addition to the Complaint being barred by the release and injunction in the LandSource Bankruptcy Matter, the Complaint was meritless and barred by applicable statutes of limitation and other defenses. On July 17, 2018, the Bankruptcy Court granted that motion, allowing Lennar Corporation to proceed with filing its proposed enforcement motion.

After a hearing on October 25, 2018, the Bankruptcy Court granted the enforcement motion and found that CACC and its member Nicolas Marsch III ("**Marsch**") filed the Complaint in violation of the injunction and release in the Chapter 11 Plan and Confirmation Order and barred CACC, Marsch and their agents from prosecuting the Complaint. Further, the Bankruptcy Court enjoined CACC, Marsch and their agents from continuing to pursue released and enjoined claims and causes of action against Lennar Corporation in further violation of the Chapter 11 Plan and Confirmation Order. The California federal district court dismissed the Complaint by minute order issued November 16, 2018. CACC also filed a Notice of Appeal and Statement of Election with the Delaware District Court (**"District Court"**) to appeal the Bankruptcy Court's November 1, 2018 order granting the enforcement motion. In January 2020, the district court issued its opinion denying CACC's request for oral argument, and rejecting each of CACC's arguments in the appeal. Later in January 2020, CACC filed a notice of appeal to the Third Circuit Court of Appeals ("Appellate Court"). On December 3, 2020, the Appellate Court affirmed the District Court's opinion, finding in favor of Lennar. The time for CACC to file any request for a rehearing, a hearing en banc, or a petition for writ of certiorari to the United States Supreme Court has not expired. On December 17, 2020, CACC filed a Petition for Rehearing before the original panel and en banc with the Appellate Court. On January 7, 2021 the Court issued an order denying the Petition for en banc and panel rehearing. The time for CACC to file a petition for certiorari seeking United States Supreme Court review has not expired.

Lennar Homes is not a party to the Complaint. Lennar Homes believes that even if, in the unlikely event, the appeal and the underlying claims are successful against Lennar Corporation, Lennar Homes will be able to complete the development and sale of its project within Improvement Area 1 as described in this Official Statement and pay Special Taxes and ad valorem tax obligations on the property that it owns within Improvement Area 1 prior to delinquency during Lennar Homes' period of ownership

Although Lennar Homes expects to have sufficient funds available to undertake and complete its development activities in Improvement Area 1, there can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available to Lennar Homes when needed. Any contributions Lennar Homes or its affiliates to fund the costs of such development and home construction 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 Lennar Homes and other financing by Lennar Homes is not put into place, there could be a shortfall in the funds required to complete the proposed development by Lennar Homes in Improvement Area 1 and the remaining portions of the development may not be developed.

D.R. Horton

Development Plan. D.R. Horton purchased 72 of the 116 lots in Village F in October 2020. The sales agreement between the Master Developer and D.R. Horton provides for the conveyance of the remaining 44 lots in October 2021. However, no assurance can be given that D.R. Horton will acquire any additional lots in Village F. The lots in Village F are in a finished

condition. D.R. Horton is marketed the project as its "Palomino at Westlake" neighborhood under the Express Homes brand.

D.R. Horton is offering three floor plans in the development, ranging from approximately 1,969 square feet to approximately 2,318 square feet, and with estimated base sales prices as of May 1, 2021 ranging from approximately $453,000 to $485,000. Base home sales prices are subject to change and exclusive of lot premiums, the sale of options and extras and any incentives or price reductions. Model and production home construction has commenced in Village F. As of May 1, 2021, D.R. Horton had 17 home under contract and 41 homes started (including one model). The first closings to homeowners are anticipated in May 2021. The Master Developer reports that D.R. Horton anticipates a 30-month build-out, with final home sales at the end of 2022. All such plans and estimates are subject to change.

About D.R. Horton and its Parent Corporation. As previously defined in this Official Statement, "D.R. Horton" is D.R. Horton CA2, Inc., a California corporation (dba D.R. Horton, *America's Builder*). D.R. Horton is a subsidiary of D.R. Horton, Inc., a Delaware corporation ("**D.R. Horton, Inc.**"), a public company whose common stock is traded on the New York Stock Exchange under the symbol "DHI". Founded in 1978 and headquartered in Arlington, Texas, D.R. Horton, Inc. constructs and sells homes through its operating divisions in 90 markets in 29 states under the names of D.R. Horton, *America's Builder*, Emerald Homes, Express Homes, and Freedom Homes.

D.R. Horton Inc. is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and in accordance therewith files reports, proxy statements and other information with the SEC. Such filings, particularly D.R. Horton, Inc.'s Annual Report on Form 10-K for the fiscal year ended September 30, 2020, as filed with the SEC on November 20, 2020, and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021, as filed with the SEC on April 26, 2021, set forth certain data relative to the consolidated results of operations and financial position of D.R. Horton, Inc., and its subsidiaries, including D.R. Horton, as of such dates.

The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including D.R. Horton, Inc. The address of such Internet web site is *www.sec.gov*. In addition, the aforementioned material may also be inspected at the offices of the NYSE at 20 Broad Street, New York, NY 10005. All documents subsequently filed by D.R. Horton, Inc. pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of D.R. Horton, Inc.'s Annual Report and each of its other quarterly and current reports, including any amendments, are available from D.R. Horton, Inc.'s website at *www.drhorton.com*.

The foregoing Internet addresses and references to filings with the SEC are included for reference only, and the information on these Internet sites and on file with the SEC are not a part of this Official Statement and are 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 these Internet sites. Neither D.R. Horton nor D.R. Horton, Inc. is obligated to advance funds to pay for development or construction costs or to pay ad valorem property taxes or the Special Taxes, and investors should not rely on the information and financial statements contained on such internet sites in evaluating whether to buy, hold or sell the Bonds.

D.R. Horton intends to finance the construction and sale of its homes planned for Improvement Area 1 using internal sources (equity and home sales proceeds).

Although D.R. Horton believes that such funding sources will be sufficient to complete its proposed development in Improvement Area 1 commensurate with the development timing described in this Official Statement, there can be no assurance that amounts necessary to fund the remaining planned development of D.R. Horton's property in Improvement Area 1 will be available from D.R. Horton or any other source when needed. Neither D.R. Horton, nor any of its related entities, including its parent D.R. Horton, Inc., is under any legal obligation of any kind to expend funds for the development of D.R. Horton's property in Improvement Area 1, or the payment of ad valorem property taxes or the Special Taxes. Any contributions by D.R. Horton or any other entity or person to fund the costs of such development are entirely voluntary.

If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by D.R. Horton in Improvement Area 1 and other financing by D.R. Horton is not put into place, there could be a shortfall in the funds required to complete the planned development by D.R. Horton in Improvement Area 1 or to pay ad valorem property taxes of the Special Taxes related to D.R. Horton's property in Improvement Area 1, and the remaining portions of D.R. Horton's project in Improvement Area 1 may not be completed. Many factors beyond D.R. Horton's control, or a decision by D.R. Horton to alter its current plans, may cause the actual sources and uses to differ from the projections. See "SPECIAL RISK FACTORS — Property Values and Property Development" and " – COVID-19 Pandemic" herein.

VALUE OF PROPERTY WITHIN IMPROVEMENT AREA 1 AND SPECIAL TAX BURDEN

The value of the land within Improvement Area 1 is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the City's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Although a portion of Improvement Area 1 is developed, a variety of economic, political, and natural occurrences incapable of being accurately predicted can affect land values and eventual completion of development. See "SPECIAL RISK FACTORS – Property Values and Property Development."

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within Improvement Area 1, and the owners have made no commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. There is no assurance that the owners have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay such taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondholder will have the ability at any time to seek payment from the owners of property within Improvement Area 1 of any Special Tax or any principal or interest due on the Bonds, or the ability to control who becomes a subsequent owner of any property within Improvement Area 1.

The Appraisal

General. At the request of the City, Integra Realty Resources, Sacramento, California (the "**Appraiser**") prepared an Appraisal Report with a date of value of March 29, 2021 (the "**Appraisal**"). The Appraisal estimates a value for all taxable property in Improvement Area 1. The Appraisal is set forth in its entirety in APPENDIX B hereto. *The description herein of the Appraisal is intended for limited purposes only; the Appraisal should be read in its entirety. The*

conclusions reached in the Appraisal are subject to certain assumptions and qualifications which are set forth in the Appraisal.

Property Appraised. The appraised properties consist of all 377 residential lots, some of which have been partially or fully improved with a single-family home, located within Improvement Area 1.

Value Estimates. The Appraiser was requested to provide a market value of the appraised properties by Assessor's parcel, as well as a cumulative, or aggregate, value of the property, as of the date of inspection (value). The Appraiser has concluded a not-less-than market value estimate of $88,976,000 for taxable property in Improvement Area 1, representing the cumulative, or aggregate, values, in accordance with the assumptions and conditions set forth in the Appraisal. Values by ownership are shown in the following table.

Table 4
Improvement Area 1 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Appraised Value of Taxable Property in Improvement Area 1

Owner	Appraised Value
Individual Homeowners (92 homes)	$43,174,000
Merchant Builders:	
Lennar Homes (88 lots/homes[1])	15,046,000
D.R. Horton (72 lots)	10,744,000
Richmond American Homes (41 lots/homes[1])	7,528,000
Caresco Homes (40 lots/homes[1])	6,676,000
Master Developer (44 lots) [2]	5,808,000
Total (377 lots/homes[1])	***$88,976,000***

[1] Includes homes under construction and completed homes. For completed homes, appraised value represents a not-less-than value for completed homes based on the smallest floorplan.
[2] The 44 lots owned by Master Developer are under contract to be sold to D.R. Horton.

The estimate of value above represents a "not-less-than" value due to the fact the Appraiser was requested to provide a market value of the smallest floor plan on each single-family residential lot improved with a completed home without an assessed improvement value assigned. The valuation accounts for the impact of the lien of the Special Tax and excludes property in Improvement Area 1 designated for public and quasi-public purposes and not subject to the Special Tax of Improvement Area 1.

Appraisal Methodology. In the Appraisal, the Appraiser provides estimates of market value of the appraised properties by ownership and Assessor's parcel, as well as an aggregate, or cumulative value of the properties. The Appraiser used the sales comparison approach to value to determine the market value of each component comprising the appraised properties (being partially improved residential lots, finished residential lots, partially completed homes, and completed homes without assessed values). The cumulative, or aggregate, value of the appraised properties represents the sum of the value estimates concluded for each ownership interest, which is not equivalent to the market value of Improvement Area 1 as a whole. For additional details, see APPENDIX B.

Hypothetical Condition. The market value estimated by the Appraiser is based on a hypothetical condition. A hypothetical condition is defined by USPAP 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 the analysis." The estimate of market value is subject to the hypothetical condition that certain of the proceeds from the 2021 Bonds are available to reimburse for infrastructure improvements completed. The estimate of market value accounts for the impact of the Lien of the Special Taxes securing the 2021 Bonds.

Extraordinary Assumptions and Limiting Conditions. In considering the estimate of value evidenced by the Appraisal, the Appraisal is based upon a number of standard and special assumptions that affect the estimates as to value, some of which include that there were no adverse soil conditions, toxic substances or other environmental hazards that may interfere or inhibit development of the appraised properties. If, at some future date, items are discovered that are determined to have a detrimental impact on value, the Appraiser reserves the right to amend the opinion of value stated in the Appraisal. For more information and a complete description of certain other assumptions made by the Appraiser, see "APPENDIX B – The Appraisal."

Because the Appraiser arrived at an estimate of current market value based upon certain assumptions which may or may not be fulfilled, no assurance can be given that, should the parcels become delinquent due to unpaid Special Taxes, and be foreclosed upon and offered for sale for the amount of the delinquency, any bid would be received for such property or, if a bid is received, that such bid would be sufficient to pay such delinquent Special Taxes.

No assurance can be given that the estimated absorption will be achieved or attained over an extended period of time; real estate is cyclical in nature, and it is impossible to accurately forecast and project specific demand over a projected absorption period. See "SPECIAL RISK FACTORS – Property Values and Property Development."

Limitations of Appraised or Assessed Valuation. Property values may not be evenly distributed throughout Improvement Area 1; thus, certain parcels may have a greater value than others. This disparity is significant because in the event of nonpayment of the Special Tax, the only remedy is to foreclose against the delinquent parcel.

No assurance can be given that the foregoing valuation can or will be maintained during the period of time that the Bonds are outstanding in that the City has no control over the market value of the property within Improvement Area 1 or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, may be on a parity with the Special Taxes. See "– Overlapping Liens and Priority of Lien" below.

For a description of certain risks that might affect the assumptions made in the Appraisal, see "SPECIAL RISK FACTORS" herein.

Value to Special Tax Burden Ratios

The value of the land within Improvement Area 1 is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of a Special Tax, the County's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Taxes. See "SECURITY FOR THE BONDS – Delinquent Payments; Teeter Plan; Covenant for Superior Court Foreclosure" and "SPECIAL RISK

FACTORS – Bankruptcy and Foreclosure Delays." Reductions in District property values due to a downturn in the economy, natural disasters such as earthquakes or floods, stricter land use regulations or other events could have an adverse impact on the security for payment of the Special Taxes.

The Special Tax is levied on each parcel within Improvement Area 1 and only the respective individual parcel is responsible for its allocated Special Tax.

Based upon the $88,976,000 appraised value of taxable property in Improvement Area 1 and an estimated principal amount of Bonds of $13,505,000 ($8,970,000 of 2020 Bonds and $4,535,000 of 2021 Bonds), as well as overlapping land-secured debt attributable to those parcels of $107,108, for a total direct and overlapping land-secured debt amount of $13,612,108, the value-to-lien ratio for such property is approximately 6.54 to 1; provided, however, that the value-to-lien ratio of individual parcels may vary significantly. See "VALUE OF PROPERTY WITHIN IMPROVEMENT AREA 1 AND SPECIAL TAX BURDEN – Value to Special Tax Burden Ratios."

In comparing the value of the real property within Improvement Area 1 and the principal amount of the Bonds, it should be noted that only the real property upon which there is a delinquent Special Tax can be foreclosed upon, and the real property within Improvement Area 1 cannot be foreclosed upon as a whole to pay delinquent Special Taxes of the owners of such parcels within Improvement Area 1 unless all of the property is subject to a delinquent Special Tax. In any event, individual parcels may be foreclosed upon separately to pay delinquent Special Taxes levied against such parcels.

Share of Assigned Special Tax – At Build-Out. The following table summarizes the estimated total Assigned Special Tax and share of Assigned Special Tax for parcels in Improvement Area 1, upon build-out.

Table 5A
Improvement Area 1 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Fiscal Year 2021-22
Assigned Special Tax Calculation – At Build-Out

Land Use Class	Property Description	Assigned Special Tax	No. of Planned Units	Estimated Total Assigned Special Tax	Share of Assigned Special Tax
1	Single Family Detached (>3,000 SF)	$3,031	33	$100,013	14.51%
2	Single Family Detached (2,501 - 3,000 SF)	2,349	43	101,016	14.66
3	Single Family Detached (2,001 - 2,500 SF)	1,734	125	216,794	31.46
4	Single Family Detached (1,501 - 2,000 SF)	1,564	147	229,867	33.35
5	Single Family Detached (< 1,501 SF)	1,431	29	41,486	6.02
	Total		**377**	**$689,176**	**100.00%**

Source: DTA.

Share of Assigned Special Tax and Final Mapped Special Tax – Current Development. The following table summarizes the estimated total Assigned Special Tax for Developed Property and Final Mapped Special ax for Final Mapped Property, given development in Improvement Area 1 as of April 2, 2021.

Table 5B
Improvement Area 1 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Fiscal Year 2021-22
Assigned Special Tax and Final Mapped Special Tax Calculation – Current Development
(Building Permits Issued Through April 2, 2021)

Developed Property Assigned Special Tax Calculation

Land Use Class	Property Description	Assigned Special Tax	Building Permits Issued[1]	Est. Total Assigned Special Tax	Share of Special Taxes
1	Single Family Detached (>3,000 SF)	$3,031	22	$66,675	9.67%
2	Single Family Detached (2,501 - 3,000 SF)	2,349	33	77,524	11.25
3	Single Family Detached (2,001 - 2,500 SF)	1,734	99	171,701	24.91
4	Single Family Detached (1,501 - 2,000 SF)	1,564	84	131,352	19.06
5	Single Family Detached (< 1,501 SF)	1,431	0	0	0.00
	Total		**238**	**$447,253**	**64.90%**

Final Mapped Property Special Tax Calculation

Land Use Class	Property Description	Maximum Special Tax (per Acre)	Actual Special Tax (per Acre)	Total Final Mapped Special Tax	Share of Special Taxes
FM	Final Mapped Property (18.02 Acres)	$16,725	$13,425.26	$241,923	35.10%
	Final Mapped Property Subtotal:			**$241,923**	**35.10%**
	Developed Property and Final Mapped Property Grand Total:			**$689,176**	**100.00%**

[1] Building permits issued as of April 2, 2021.
Source: DTA.

Value-to-Lien Ratios by Development Status. The following table summarizes the value-to-lien ratios of property in Improvement Area 1 against the Bonds and overlapping debt in Improvement Area 1, by development status for purposes of application of the Special Tax Formula.

Table 7
Improvement Area 1 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Value-to-Lien Ratio by Development Status as of March 29, 2021

Property Owner	No. of Lots[1]	Appraised Value[1]	Estimated FY 2021-22 Assigned Special Tax Levy	% of FY 2021-22 Assigned Special Tax Levy	Reclamation District No. 2042 CFD No. 2001-1 [2]	Series 2020 Bonds[2]	Series 2021 Bonds	Total Land-Secured Debt	Value to Lien Ratio
Individual Home Owners	92	$43,174,000	$155,957	22.63%	$26,138	$2,029,866	$1,026,248	$3,082,251	14.01:1
D.R Horton	72	10,744,000	113,262	16.43	20,456	1,474,169	745,301	2,239,926	4.80:1
Caresco Homes	40	6,676,000	71,367	10.36	11,364	928,880	469,617	1,409,861	4.74:1
Master Developer (EMDI)	44	5,808,000	69,216	10.04	12,501	900,881	455,462	1,368,843	4.24:1
Lennar	88	15,046,000	182,805	26.53	25,001	2,379,308	1,202,916	3,607,225	4.17:1
Richmond Am. Homes	41	7,528,000	$96,569	14.01	11,648	1,256,898	635,455	1,904,001	3.95:1
Totals:	**377**	**$88,976,000**	**$689,176**	**100.00%**	**$107,108**	**$8,970,000**	**$4,535,000**	**$13,612,108**	**6.54**:1

[1] Source: Appraisal date of value of March 29, 2021, by Integra Realty Resources.
[2] The outstanding debt ($107,108) was allocated proportionally among the 377 lots.
Source: DTA.

Overlapping Liens and Priority of Lien

The principal of and interest on the Bonds are payable from the Special Tax authorized to be collected within Improvement Area 1, and payment of the Special Tax is secured by a lien on certain real property within Improvement Area 1. Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Act, regardless of when they are imposed on the property in Improvement Area 1. The imposition of additional special taxes, assessments and general property taxes will increase the amount of independent and co-equal liens which must be satisfied in foreclosure. The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within Improvement Area 1.

Other public agencies whose boundaries overlap those of Improvement Area 1 could, without the consent of the City and in certain cases without the consent of the owners of the land within Improvement Area 1, impose additional taxes or assessment liens on the land within Improvement Area 1. The lien created on the land within Improvement Area 1 through the levy of such additional taxes or assessments may be secured on parity with the lien of the Special Tax. In addition, construction loans may be obtained by the homebuilder owners and home loans are likely to be obtained by ultimate homeowners. The deeds of trust securing such debt on property within Improvement Area 1, however, will be subordinate to the lien of the Special Tax.

For example, additional CFD obligations on land in Improvement Area 1 include City of Stockton Community Facilities District No. 2018-3 (Citywide Services and Maintenance). This CFD levies special taxes that pay for authorized public services, which special taxes are on a parity to the lien securing the Special Taxes securing the Bonds.

There can be no assurance that the current owners, or any subsequent owner, will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities, however no other special districts are currently contemplated or foreseen by the City.

Set forth on the following page is an overlapping debt table showing the existing authorized indebtedness payable with respect to property within Improvement Area 1. This table has been prepared by California Municipal Statistics Inc. as of the date indicated, and is included for general information purposes only. Neither the City nor the Underwriter has reviewed the data for completeness or accuracy and make no representations in connection therewith.

Table 8
City of Stockton
Improvement Area 1 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Summary of Overlapping Bonded Debt
As of May 1, 2021

2020-21 Local Secured Assessed Valuation: $9,166,942

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt
San Joaquin Delta Community College District General Obligation Bonds	0.009%	$ 16,966
Lodi Unified School District General Obligation Bonds	0.044	100,060
Lodi Unified School District SFID No. 1 General Obligation Bonds	0.112	51,339
Reclamation District No. 2042 Community Facilities District No. 2001-1	2.411	107,108
City of Stockton Community Facilities District No. 2018-2, IA 1	**100.000**	**8,970,000** (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$9,245,473
OVERLAPPING GENERAL FUND DEBT:		
San Joaquin County Certificates of Participation	0.010%	$ 6,410
Lodi Unified School District Certificates of Participation	0.044	5,059
City of Stockton Pension Obligation Bonds	0.034	17,937
TOTAL OVERLAPPING GENERAL FUND DEBT		$29,406
COMBINED TOTAL DEBT		$9,274,879 (2)

Ratios to 2020-21 Assessed Valuation:
Direct Debt ($8,970,000)..... 97.85%
Total Direct and Overlapping Tax and Assessment Debt... 100.86%
Combined Total Debt 101.18%

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[1] Excludes 2021 Bonds to be sold.
[2] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Sample Tax Bill

The following table summarizes the representative property tax bills for Fiscal Year 2021-22 for certain land use classes of residential property in Improvement Area 1.

Table 9
Improvement Area 1 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Effective Tax Rate Analysis – Fiscal Year 2021-22

ESTIMATED ASSESSED VALUATION		1	2	3	4	5
LAND USE CLASS						
SQUARE FEET		(>3,000 SF)	(2,501 - 3,000 SF)	(2,001 - 2,500 SF)	(1,501 - 2,000 SF)	(< 1,501 SF)
CURRENT AVERAGE BASE SALES PRICE		$550,226	$518,064	$486,097	$458,494	$435,000
	Rate	**Amount**	**Amount**	**Amount**	**Amount**	**Amount**
AD-VALOREM TAXES						
BASE PROPERTY TAX RATE	1.0000%	$5,502.26	$5,180.64	$4,860.97	$4,584.94	$4,350.00
LODI USD BOND 2011R	0.0070	38.52	36.26	34.03	32.09	30.45
LODI USD BOND 2012R	0.0125	68.78	64.76	60.76	57.31	54.38
LONDI USD BOND 2015R	0.0026	14.31	13.47	12.64	11.92	11.31
LODI SFID 1 BOND 2016R	0.0217	119.40	112.42	105.48	99.49	94.40
LODI USD BOND 2017	0.0107	58.87	55.43	52.01	49.06	46.55
LODI USD BOND 2017R	0.0044	24.21	22.79	21.39	20.17	19.14
LODI SFID 1 BOND 2018	0.0311	171.12	161.12	151.18	142.59	135.29
LODIA USD BOND 2020	0.0457	251.45	236.76	222.15	209.53	198.80
SJ DELTA COLLEGE BOND 2015R	0.0126	69.33	65.28	61.25	57.77	54.81
SJ DELTA COLLEGE BOND 2018D	0.0034	18.71	17.61	16.53	15.59	14.79
SJ DELTA COLLEGE BOND 2020R	0.0023	$12.66	11.92	11.18	10.55	10.01
TOTAL GENERAL PROPERTY TAXES	**1.1540%**	**$6,349.61**	**$5,978.46**	**$5,609.56**	**$5,291.02**	**$5,019.90**
OVERLAPPING ASSESSMENTS						
WESTLAKE VIILL ZONE C-6		$92.0	$92.0	$92.0	$92.0	$92.0
WESTLAKE VILLAGE MUD ZONE 11		3.8	3.8	3.8	3.8	3.8
CENTRAL DELTA WATER		2.0	2.0	2.0	2.0	2.0
WATER ZONE 2		1.9	1.9	1.9	1.9	1.9
SJC MOSQUITO ABATE		1.3	1.3	1.3	1.3	1.3
SJC MOSQ & VCTR CONTROL BEN ASMT		9.3	9.3	9.3	9.3	9.3
RECL DISTRICT NO. 2042(MR)		41.8	41.8	41.8	41.8	41.8
RECL DISTRICT NO. 2042		38.8	38.8	38.8	38.8	38.8
CSA NO.53 - HAZ WASTE		4.0	4.0	4.0	4.0	4.0
TOTAL SPECIAL ASSESSMENTS & CHARGES		**$194.76**	**$194.76**	**$194.76**	**$194.76**	**$194.76**
		1.18940%	**1.19159%**	**1.19407%**	**1.19648%**	**1.19877%**
PROJECTED TOTAL EFFECTIVE TAX RATE EXCLUDING CFD						
CFD 2018-2 (FACILTIES)		$3,030.69	$2,349.22	$1,734.35	$1,563.72	$1,430.55
CFD 2018-2 (SERVICES)		$562.43	$562.43	$562.43	$562.43	$562.43
PROJECTED TOTAL PROPERTY TAXES		**$10,137.49**	**$9,084.87**	**$8,101.10**	**$7,611.93**	**$7,207.64**
PROJECTED TOTAL EFFECTIVE TAX RATE		**1.84242%**	**1.75362%**	**1.66656%**	**1.66020%**	**1.65693%**

Source: DTA.

Special Tax Collection and Delinquency Rate

The first year for levy and collection of the Special Taxes was Fiscal Year 2020-21, as shown in the following table. Future delinquencies in the payment of property taxes (including the Special Taxes) with respect to property in Improvement Area 1, to the extent not covered by the Teeter Plan, could result in draws on the 2021 Reserve Account of the Reserve Fund established for the 2021 Bonds, and perhaps, ultimately, a default in the payment on the 2021 Bonds. See "SECURITY FOR THE BONDS – Delinquent Payments; Teeter Plan; Covenant for Superior Court Foreclosure" and "SPECIAL RISK FACTORS."

Table 10
Improvement Area 1 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Fiscal Year 2020-21
Special Tax Collections and Delinquencies

Fiscal Year	Parcels Levied	Dollars Levied	Parcels Delinquent	Amount Delinquent	% Delinquent
2020-2021	37	$78,572.90	0	$0.00	0.00%

Source: Willdan; Delinquency data as of April 29, 2021 and includes both installments due for Fiscal Year 2020-21.

SPECIAL RISK FACTORS

The purchase of the 2021 Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision. This discussion does not purport to be comprehensive or definitive or a complete statement of all factors that may be considered as risks in evaluating the credit quality of the 2021 Bonds and the Bonds (consisting of the 2020 Bonds and 2021 Bonds) more generally.

Limited Obligation of the City to Pay Debt Service

The City has no obligation to pay principal of and interest on the Bonds in the event Special Tax collections are delinquent, other than from amounts, if any, on deposit in the reserve accounts within the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent, nor is the City obligated to advance funds to pay such debt service on the Bonds. The Bonds are not general obligations of the City but are limited obligations of the City and Improvement Area 1 payable solely from the proceeds of the Special Tax and certain funds held under the Fiscal Agent Agreement, including amounts deposited in the reserve accounts within the Reserve Fund and investment income thereon, and the proceeds, if any, from the sale of property subject to the Special Tax in the event of a foreclosure. See "SECURITY FOR THE BONDS." Any tax for the payment of the Bonds will be limited to the Special Tax to be collected within the jurisdiction of Improvement Area 1.

Levy and Collection of the Special Tax

General. The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against property within Improvement Area 1.

Limitation on Maximum Annual Special Tax Rate. The annual levy of the Special Tax is subject to the maximum annual Special Tax rate authorized in the Special Tax Formula. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds.

In addition to the maximum annual Special Tax rate limitation in the Special Tax Formula, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district 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. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the Bonds.

No Relationship Between Property Value and Special Tax Levy. Because the Special Tax Formula is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular Taxable Parcels and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the Taxable Parcels and their proportionate share of debt service on the Bonds, and certainly not a direct relationship.

Factors that Could Lead to Special Tax Deficiencies. The following are some of the factors that might cause the levy of the Special Tax on any particular Taxable Parcels to vary from the Special Tax that might otherwise be expected:

Transfers to Governmental Entities. The number of Taxable Parcels could be reduced through the acquisition of Taxable Parcels by a governmental entity and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.

Property Tax Delinquencies. Failure of the owners of Taxable Parcels to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Net Taxes. For a summary of recent Special Tax collection and delinquency rates in Improvement Area 1, see "VALUE OF PROPERTY WITHIN IMPROVEMENT AREA 1 AND SPECIAL TAX BURDEN" herein.

Concentration of Ownership

The majority of the land within Improvement Area 1 is owned by the Master Developer and the Merchant Builders. An owner of property in Improvement Area 1 is not personally obligated to pay the Special Tax attributable to the owner's property. Rather, the Special Tax is an obligation only against the parcel of property, secured by the amount which could be realized in a foreclosure proceeding against the property, and not by any promise of the owner to pay. If the value of the property is not sufficient, taking into account other obligations also constituting a lien against the property, the City, Fiscal Agent and owners of the Bonds have no recourse against the owner, such as filing a lawsuit to collect money.

Failure of the Master Developer, the Merchant Builders or any future owner of significant property subject to the Special Taxes in Improvement Area 1 to pay installments of Special Taxes when due could cause the depletion of the reserve accounts within the Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, result in the delinquency rate reaching a level that would cause an insufficiency in collection of the Special Tax to meet the City's obligations on the Bonds. In that event, there could be a delay or failure in payments on the Bonds. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure Delays" below and "SECURITY FOR THE BONDS – Delinquent Payments; Teeter Plan; Covenant for Superior Court Foreclosure."

Development of undeveloped property within Improvement Area 1 may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of landowners to pay the Special Taxes when due. Certain infrastructure improvements remain to be completed in order to complete construction of the remaining homes in Improvement Area 1. No assurance can be given that the remaining proposed residential 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 vacant and only partially improved.

Appraised Values

The Appraisal estimates the market value of certain taxable property within Improvement Area 1. This market value is merely the present opinion of the Appraiser, and is subject to the

assumptions and limiting conditions stated in the Appraisal. The City has not sought the present opinion of any other appraiser of the value of the taxed parcels. A different present opinion of value might be rendered by a different appraiser.

The opinion of value relates to sale by a willing seller to a willing buyer as of the date of valuation, each having similar information and neither being forced by other circumstances to sell or to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

In considering the estimates of value evidenced by the Appraisal, it should be noted that the Appraisal is based upon a number of standard and special assumptions which affect the estimates as to value, as well as the hypothetical condition of the Improvements having been completed, as set forth in the Appraisal (see APPENDIX B hereto). The improvements to be financed by the Bonds were not in place as of the date of inspection; thus, the value estimate is subject to a hypothetical condition (of such improvements being in place).

In addition, the opinion is a present opinion. It is based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of value. The appraised market value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that any of the appraised property in Improvement Area 1 could be sold in a foreclosure for the estimated market value contained in the Appraisal. Such sale is the primary remedy available to Bondowners if that property should become delinquent in the payment of Special Taxes.

Property Values and Property Development

The value of taxable property within Improvement Area 1 is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the City's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax.

Land values could be adversely affected by economic and other factors beyond the City's control, such as a general economic downturn, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood, wildfires, or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions. Land in Improvement Area 1 is adjacent to cropland areas utilized for hay and corn production, which could increase the chances of a fire in the area, and in an area protected from flooding by levees which could be breached.

Neither the Underwriter nor the City has evaluated development risks related to the development of land in Improvement Area 1. Since these are largely business risks of the type that property owners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any particular parcel, the City is issuing the Bonds without regard to any such evaluation. Thus, the creation of the District (and Improvement Area 1 therein) and the issuance of the Bonds in no way implies that the Underwriter or the City has evaluated these risks or the reasonableness of these risks.

The following is a discussion of specific risk factors that could affect the timing or scope of property development in Improvement Area 1 or the value of property in Improvement Area 1.

Land Development. Land values are influenced by the level of development in the area in many respects.

First, undeveloped or partially developed land is generally less valuable than developed land and provides less security to the Owners of the Bonds should it be necessary for Improvement Area 1 to foreclose on undeveloped or partially developed property due to the nonpayment of Special Taxes.

Second, failure to complete development on a timely basis could adversely affect the land values of those parcels that have been completed. Lower land values would result in less security for the payment of principal of and interest on the Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Tax. See "VALUE OF PROPERTY WITHIN IMPROVEMENT AREA 1 AND SPECIAL TAX BURDEN – Value to Special Tax Burden Ratios." No assurance can be given that the proposed development within Improvement Area 1 will be completed, and in assessing the investment quality of the Bonds, prospective purchasers should evaluate the risks of non-completion.

Neither the Master Developer nor the Merchant Builders nor any other person provides any assurances that the project currently envisioned for the land in Improvement Area 1 will be completed, or that available sources of financing that will actually be available and sufficient to complete such projected development. The Master Developer and the Merchant Builders have no obligation to the City or to owners of the Bonds to complete the project.

***Risks of Real Estate Investment Generally*.** Continuing development of land within Improvement Area 1 may be adversely affected by changes in general or local economic conditions, fluctuations in the real estate market, increased construction costs, development, financing and marketing capabilities of individual property owners, water or electricity shortages, and other similar factors. Development in Improvement Area 1 may also be affected by development in surrounding areas, which may compete with Improvement Area 1. In addition, land development operations are subject to comprehensive federal, state and local regulations, including environmental, land use, zoning and building requirements. There can be no assurance that proposed land development operations within Improvement Area 1 will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development, or future growth control initiatives. There can be no assurance that land development operations within Improvement Area 1 will not be adversely affected by these risks.

***Natural Disasters*.** The value of the parcels in Improvement Area 1 in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the parcels in Improvement Area 1 and the continued habitability and enjoyment of such private improvements. For example, the areas in and surrounding Improvement Area 1, like those in much of the State, may be subject to earthquakes or other unpredictable seismic activity. See "THE DISTRICT AND IMPROVEMENT AREA 1 – Environmental Matters."

Other natural disasters could include, without limitation, landslides, floods, droughts or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations

preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the parcels may well depreciate.

***Legal Requirements*.** Other events that may affect the value of a parcel include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures. Development in Improvement Area 1 may also be adversely affected by the application of laws protecting endangered or threatened species.

***Hazardous Substances*.** Any discovery of a hazardous substance detected on property within Improvement Area 1 would affect the marketability and the value of some or all of the property in Improvement Area 1. In that event, the owners and operators of a parcel within Improvement Area 1 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. State law with regard to hazardous substances are also applicable to property within Improvement Area 1 and are as stringent as the federal laws. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels be contaminated by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The values set forth in the Appraisal do not take into account the possible reduction in marketability and value of any of the parcels within Improvement Area 1 by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition on a parcel. Although the City is not aware that the owner (or operator) of any of the property within Improvement Area 1 has a current liability for a hazardous substance with respect to any of the parcels, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels within Improvement Area 1 resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel within Improvement Area 1 that is realizable upon a foreclosure sale.

Endangered and Threatened Species. It is illegal to harm or disturb any plants or animals in their habitat that have been listed as endangered species by the United States Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish & Game Commission under the California Endangered Species Act without a permit. The discovery of an endangered plant or animal could delay development of undeveloped property in Improvement Area 1 or reduce the value of such property.

Other Possible Claims Upon the Value of Taxable Property

While the Special Taxes are secured by the Taxable Parcels in Improvement Area 1, the security only extends to the value of such property that is not subject to priority and parity liens and similar claims. The table in the section entitled "VALUE OF PROPERTY WITHIN IMPROVEMENT AREA 1 AND SPECIAL TAX BURDEN – Overlapping Liens and Priority of Lien" shows the presently outstanding amount of governmental obligations (with stated exclusions), the tax or assessment for which is or may become an obligation of one or more of the Taxable Parcels. The table also states the additional amount of general obligation bonds the tax for which, if and when issued, may become an obligation of one or more of the Taxable Parcels. The table does not specifically identify which of the governmental obligations are secured by liens on one or more of the Taxable Parcels.

The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within Improvement Area 1. Other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of taxable property and may be secured by a lien on a parity with the lien of the Special Tax securing the Bonds.

In general, as long as the Special Tax is collected on the County tax roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a Taxable Parcel, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See "– Bankruptcy and Foreclosure Delays" below.

Bankruptcy and Foreclosure Delays

The Fiscal Agent Agreement generally provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in "SECURITY FOR THE BONDS – Delinquent Payments of Special Tax; Teeter Plan; Covenant for Superior Court Foreclosure" and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary ad valorem property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the reserve accounts within the Reserve Fund are depleted. See "SECURITY FOR THE BONDS – Delinquent Payments; Teeter Plan; Covenant for Superior Court Foreclosure."

The ability of the City to collect interest and penalties specified by State law and to foreclose against properties having delinquent Special Tax installments may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "**FDIC**") has or obtains an interest. The FDIC would obtain such an interest by taking over a financial institution that has made a loan that is secured by property within Improvement Area 1.

The payment of the Special Tax and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax may also be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Other laws generally affecting creditors' rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

To the extent that property in Improvement Area 1 continues to be owned by a limited number of property owners, the chances are increased that the reserve accounts within the Reserve Fund could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result, sufficient moneys would not be available in the reserve accounts within the Reserve Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

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.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government 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 Special Taxes within Improvement Area 1 but does not pay taxes

and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and Improvement Area 1 wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th 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.

No Acceleration Provisions

The Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, a Bondowner is given the right for the equal benefit and protection of all Bondowners similarly situated to pursue certain remedies. So long as the Bonds are in book-entry form, DTC will be the sole Bondowner and will be entitled to exercise all rights and remedies of Bond holders, in accordance with its procedures and rules.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," interest on the Bonds might 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 Fiscal Agent Agreement. The Fiscal Agent Agreement does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to become includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional redemption, mandatory sinking fund redemption or special mandatory redemption upon prepayment of the Special Taxes.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (the "**IRS**") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of such Bonds might be affected as a result of such an audit of such Bonds (or by an audit of similar bonds or securities).

Voter Initiatives

From time to time, initiative measures qualify for the State ballot pursuant to the State's constitutional initiative process and those measures could be adopted by State voters. The adoption of any such initiative might place limitations on the ability of the State, the City, the County or other local districts to increase revenues or to increase appropriations or on the ability of the landowners to complete the development of Improvement Area 1. See "– Property Values and Property Development" above.

Under the State Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Special Tax Bonds.

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment, added Articles XIIIC and XIIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

On November 2, 2010, State voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act". Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes ("special taxes") require a two-thirds vote.

The Special Taxes and the Bonds were each authorized by not less than a two-thirds vote of the landowners within Improvement Area 1 who constituted the qualified electors at the time of such voted authorization. The District believes, therefore, that issuance of the Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 are likely to undergo both judicial and legislative scrutiny before the impact on Improvement Area 1 can be determined. Certain provisions of Proposition 218 and Proposition 26 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

Case Law Related to the Mello-Roos Act

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The case involved a Convention Center Facilities District (the "**CCFD**") established by the City of San Diego. The CCFD is a financing district established under San Diego's city charter (the "**Charter**") and was intended to function much like a community facilities district established under the Act. The CCFD was comprised of all of the real property in the entire city. However, the CCFD special tax was to be levied only on properties in the CCFD that were improved with a hotel.

At the election to authorize the CCFD special tax, the CCFD proceedings limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel was located. Registered voters in the City of San Diego were not permitted

to vote. This definition of the qualified electors of the CCFD was based on Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed community facilities district whose property would be subject to the special tax. The *San Diego* Court held that the CCFD special tax election did not comply with its Charter and with applicable provisions of the State Constitution -- specifically Article XIIIA, section 4 ("Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district . . .") and Article XIIIC, section 2(d) ("No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote.") -- because the electors in the CCFD election should have been the registered voters residing within the CCFD (the boundaries of which were coterminous with the boundaries of the City of San Diego).

As to Improvement Area 1, there were no registered voters within Improvement Area 1 at the time of the election to authorize the Special Taxes. Significantly, the *San Diego* Court expressly stated that it was not addressing the validity of a landowner election to impose special taxes on property pursuant to the Act in situations where there are fewer than 12 registered voters. Therefore, by its terms, the *San Diego* Court's holding does not apply to the special tax election in Improvement Area 1. Moreover, Sections 53341 and 53359 of the Act establish a limited period of time in which special taxes levied under the Act may be challenged by a third party, which time period has now passed.

COVID-19

The spread of the COVID-19 coronavirus pandemic, and responses intended to slow its spread, are likely to result in negative impacts to the homebuilding operations and sales of homes within Improvement Area 1. There can be no assurances that the spread of the virus and the related shelter in place order and social distancing requirements currently imposed by the State of California, or other State or local mandates and/or other responses intended to slow its spread will not materially adversely impact the pace of sales of lots or homes or the willingness of owners of land in Improvement Area 1, including the Master Developer, the Merchant Builders or individual homeowners, to pay the Special Taxes securing the Bonds. In addition, no assurance can be given that the property tax payment dates will not be deferred in the future, which may cause a delay in the receipt of Net Taxes by the City for the payment of the Bonds. Finally, stock and municipal bond markets in the U.S. and globally have seen significant volatility attributed to coronavirus concerns; there can be no assurances that these or other concerns that emerge later will not materially adversely impact the secondary market for the Bonds.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2021 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the 2021 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes.

The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2021 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2021 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2021 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2021 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2021 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2021 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2021 Bonds who purchase the 2021 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2021 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2021 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2021 Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2021 Bond (said term being the shorter of the 2021 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2021 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2021 Bond is amortized each year over the term to maturity of the 2021 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2021 Bond premium is not deductible for federal income tax purposes. Owners of premium 2021 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2021 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2021 Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2021 Bonds to be subject, directly or indirectly, 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, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2021 Bonds. It cannot be predicted whether or in what form any such

proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2021 Bonds, or as to the consequences of owning or receiving interest on the 2021 Bonds, as of any future date. Prospective purchasers of the 2021 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2021 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2021 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2021 Bonds, the ownership, sale or disposition of the 2021 Bonds, or the amount, accrual or receipt of interest on the 2021 Bonds.

LEGAL MATTERS

Legal Opinion

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, approving the validity of the 2021 Bonds will be made available to purchasers at the time of original delivery and is attached in substantially final form as APPENDIX E.

Jones Hall, A Professional Law Corporation, San Francisco, California, is also serving as Disclosure Counsel to the City. The City Attorney will pass upon certain legal matters for the City. Kutak Rock LLP, Los Angeles, California will pass upon certain legal matters for the Underwriter as counsel to the Underwriter.

No Litigation

At the time of delivery of and payment for the 2021 Bonds, the City Attorney will deliver his opinion that to the best of its knowledge there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or regulatory agency pending against the City affecting its existence or the titles of its officers to office or seeking to restrain or to enjoin the issuance, sale or delivery of the 2021 Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Tax to pay the principal of and interest on the 2021 Bonds, or in any way contesting or affecting the validity or enforceability of the 2021 Bonds, the Fiscal Agent Agreement or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the 2021 Bonds or any action of the City contemplated by any of said documents.

CONTINUING DISCLOSURE

The City

The City will covenant for the benefit of owners of the 2021 Bonds to provide certain financial information and operating data relating to Improvement Area 1 (the "**City Annual Report**") by not later than February 1 following the end of the City's fiscal year, commencing February 1, 2022, with the report for the fiscal year ending June 30, 2021, and to provide notices of the occurrence of certain listed events ("**Notice Events**"). These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in APPENDIX F.

In the preceding five years, the City failed to timely comply in certain respects with its previous undertakings with regard to the Rule to provide annual reports, adopted budgets, or notices of Notice Events, and in some instances, information was not associated with the correct CUSIP number. In addition, on occasions during the last five years the City failed to provide its audited or unaudited financial statements in the time required by its continuing disclosure undertakings and failure to file notices were not filed. All of these failures have been corrected.

The City has engaged Willdan Financial Services to serve as dissemination agent.

Lennar Homes

Lennar Homes will also agree for the benefit of the owners of the 2021 Bonds in a Continuing Disclosure Certificate to provide certain semi-annual information on March 31 and September 30 of each year, commencing September 30, 2021 (each, a "**Developer Semi-Annual Report**"), and notice of the occurrence of certain events with respect to itself and the property it owns in Improvement Area 1. The complete text of the Continuing Disclosure Certificate is set forth in APPENDIX F.

Lennar Homes' obligation to provide the Developer Semi-Annual Reports and listed event disclosure will terminate when Lennar Homes and its affiliates, including successor thereto, own parcels in Improvement Area 1 that are subject to less than 20% of the annual Special Tax levy.

Lennar Homes has previously entered into continuing disclosure undertakings and has represented to the City that it has timely submitted all required filings during the past five years. [**Confirm/Update**]

NO RATINGS

The City has not applied to a rating agency for the assignment of a rating to the 2021 Bonds and does not contemplate applying for a rating.

UNDERWRITING

The 2021 Bonds are being purchased by Oppenheimer & Co. Inc., as underwriter (the "**Underwriter**"), at a purchase price of $4,838,196.90, which represents the aggregate principal amount of the 2021 Bonds ($4,535,000) less an Underwriter's discount of $56,687.50 and plus net original issue premium of $359.884.40.

The purchase agreement relating to the 2021 Bonds provides that the Underwriter will purchase all of the 2021 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell the 2021 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

MUNICIPAL ADVISORS

Fieldman, Rolapp & Associates, Inc. of Irvine, California is serving as municipal advisor to the City in connection with the offering of the 2021 Bonds. Del Rio Advisors, LLC of Modesto, California, serves as the City's independent registered municipal advisor. All financial and other information presented in this Official Statement has been provided by the City and others from their records. Unless otherwise footnoted, neither Fieldman, Rolapp & Associates, Inc. nor Del Rio Advisors, LLC takes responsibility for the accuracy or completeness of any data provided by the City or others and neither firm has undertaken to make an independent verification and neither firm assumes responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Fieldman, Rolapp & Associates, Inc. has assisted the City with the structure, timing and terms for the sale of the 2021 Bonds. Each municipal advisor firm provides municipal advisory services only and does not engage in the underwriting, marketing, or trading of municipal securities or other negotiable instruments. The fees of Fieldman, Rolapp & Associates, Inc. are contingent upon the successful closing of the 2021 Bonds.

EXECUTION

The execution and delivery of the Official Statement by the City has been duly authorized by the City Council, acting as the legislative body of the District.

CITY OF STOCKTON

By: /s/ Jay Kapoor
Chief Financial Officer

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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RATE AND METHOD OF APPORTIONMENT FOR
IMPROVEMENT AREA 1 OF CITY OF STOCKTON
COMMUNITY FACILITIES DISTRICT NO. 2018-2 (WESTLAKE VILLAGES II)
COUNTY OF SAN JOAQUIN
STATE OF CALIFORNIA

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property in Improvement Area No. 1 of City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II), County of San Joaquin, State of California ("CFD No. 2018-2 (IA No. 1)") and collected each Fiscal Year commencing in Fiscal Year 2018-2019, in an amount determined by the City Council, through the application of the Rate and Method of Apportionment as described below. All Taxable Property in CFD No. 2018-2 (IA No. 1), 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. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or **"Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final subdivision map, parcel map, condominium plan, record of survey, or other recorded County parcel map. An Acre equals 43,560 square feet of land area.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the actual or reasonably estimated costs directly related to the administration of CFD No. 2018-2 (IA No. 1) including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax Levy collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Tax Levies (whether by the County or otherwise); the costs of remitting the Special Tax Levies to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2018-2 (IA No. 1), or any designee thereof of complying with arbitrage rebate requirements, or responding to questions from the Securities and Exchange Commission or Internal Revenue Service pertaining to any CFD No. 2018-2 (IA No. 1) Bonds or any audit of any CFD No. 2018-2 (IA No. 1) Bonds by the Securities and Exchange Commission or Internal Revenue Service; the costs to the City, CFD No. 2018-2 (IA No. 1), or any designee thereof of complying with the City, CFD No. 2018-2 (IA No. 1), or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax Levy disclosure statements and responding to public inquiries regarding the Special Tax Levies; the costs of the City, CFD No. 2018-2 (IA No. 1), the Trustee, or any designee thereof related to an appeal of the levy or application of the Special Taxes; the costs associated with the release of funds from an escrow account; and City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2018-2 (IA No. 1) for any other administrative purposes

of CFD No. 2018-2 (IA No. 1), including, but not limited to, attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Tax Levies.

"Assessor's Parcel" means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

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

"Assigned Special Tax A" or "Assigned Special Taxes" means the Special Tax A for each Land Use Class of Developed Property, as determined in accordance with Section C.1.a.(2), below.

"Authorized Facilities" means the facilities authorized to be financed by CFD No. 2018-2 (IA No. 1).

"Authorized Services" means the services authorized to be financed by CFD No. 2018-2 (IA No. 1).

"Backup Special Tax A" means the Backup Special Tax A applicable to an Assessor's Parcel of Developed Property, as determined in accordance with Section C.1.a.(3), below.

"Building Permit" means a permit issued by the City or other governmental agency for the construction of a residential or non-residential building on an Assessor's Parcel.

"Buildout" means, for CFD No. 2018-2 (IA No. 1), that all expected Building Permits for Residential Property, and Non-Residential Property to be constructed within CFD No. 2018-2 (IA No. 1) have been issued, as determined by the CFD Administrator.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the various Special Tax Requirements and providing for the levy and collection of the Special Taxes.

"CFD No. 2018-2" means the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II), County of San Joaquin, State of California.

"CFD No. 2018-2 (IA No. 1)" means Improvement Area No. 1 of CFD No. 2018-2.

"CFD No. 2018-2 (IA No. 1) Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one (1) or more series, authorized by CFD No. 2018-2 (IA No. 1) under the Act and issued by the City and secured by the Special Taxes.

"City" means the City of Stockton

"County" means the County of San Joaquin.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property and Taxable Public Property, for which a

Building Permit for new construction was issued after January 1, 2018 and on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied.

"Developer" means Eight Mile Development Inc. (EMDI) and its successors and assigns. The term "successors" does not refer to the successors to all or any portion of the property within CFD No. 2018-2 (IA No. 1) unless the new property owner receives an assignment of the Developer's rights and obligations described in an assignment agreement or similar agreement.

"Dwelling Unit" means one (1) residential unit of any configuration, including, but not limited to, a single family attached or detached dwelling, condominium, apartment, mobile home, or otherwise.

"Final Mapped Property" means, for each Fiscal Year, all Taxable Property, exclusive of Developed Property, Taxable Property Owner Association Property, and Taxable Public Property, located in a Final Subdivision as of January 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied, but no earlier than January 1, 2018.

"Final Subdivision" means a subdivision of property by recordation of a final 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 1352 that, in either case, creates individual lots for which Building Permits may be issued without further subdivision.

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

"Indenture" means the indenture, fiscal agent agreement, resolution, or other instrument pursuant to which CFD No. 2018-2 (IA No. 1) 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 land use classes listed in Table 1 and Table 2, below.

"Maximum Special Tax" means the Maximum Special Tax A and/or Maximum Special Tax B, as applicable.

"Maximum Special Tax A" means the Maximum Special Tax A, determined in accordance with Section C.1 below, that can be levied in any Fiscal Year on any Assessor's Parcel.

"Maximum Special Tax B" means the Maximum Special Tax B, determined in accordance with Section C.2 below, which can be levied in any Fiscal Year on any Assessor's Parcel.

"Multi-Family Residential" means, all Assessor's Parcels of Developed Property for which a Building Permit has been issued for purposes of constructing a residential structure consisting of more than two (2) Dwelling Units, including, but not limited to, triplexes,

condominiums, and apartment units.

"Non-Residential Floor Area" means the total gross building square footage of non-residential property lying within an Assessor's Parcel for which one (1) or more non-residential Building Permits have been issued. Such square footage shall be measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building but generally open on at least two (2) sides, as determined by reference to the Building Permit(s) issued for that Assessor's Parcel, or if these are not available, as otherwise determined by the CFD Administrator.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a Building Permit permitting the construction of one (1) or more non-residential units or facilities has been issued by the City or other governmental agency.

"Outstanding Bonds" means all CFD No. 2018-2 (IA No. 1) Bonds which remain outstanding under the Indenture.

"Property Owner Association Property" means, for each Fiscal Year (i) any property within the boundaries of CFD No. 2018-2 (IA No. 1) that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year, (ii) any property located in a Final Subdivision that was recorded as of the May 1 preceding the Fiscal Year in which the Special Tax is being levied and which, as determined from such Final Subdivision, is or will be open space, a common area recreation facility, or a private street, or (iii) any property which, as of the May 1 preceding the Fiscal Year for which the Special Tax is being levied, has been conveyed to a property owner's association, including any master or sub-association, provided evidence of such conveyance is submitted to the CFD Administrator by May 1 preceding the Fiscal Year for which the Special Tax is being levied. The total number of acres to be classified as Property Owner Association Property or Public Property shall not exceed 46.36 acres, as described in Section E of this Rate and Method of Apportionment.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax Levy to the Assigned Special Tax or the Maximum Special Tax is equal for all Assessor's Parcels of Developed Property. For Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property categories, "Proportionately" means that the ratio of the actual Special Tax Levy per Acre to the Maximum Special Tax per Acre within each of these Taxable Property categories is equal for all Assessor's Parcels in that specific Taxable Property category.

"Public Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2018-2 (IA No. 1) that, as of the May 1 preceding the Fiscal Year in which the Special Tax is being levied, was (i) owned by, irrevocably offered, or dedicated to the federal government, the State, the County, or any local government or other public agency, provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) encumbered by a public utility easement making impractical its use for any purpose other than that set forth in the easement. The total number of acres to be classified as Property Owner Association Property or Public Property shall not exceed 46.36 acres, as described in Section E of this Rate and Method of Apportionment.

"Rate and Method of Apportionment" means this Rate and Method of Apportionment for CFD No. 2018-2 (IA No. 1).

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area for an Assessor's Parcel shall be as set forth in the Building Permit(s) issued for such Assessor's Parcel and/or as set forth in the appropriate records kept by the Building and Safety Department of the City, or other applicable City department, as determined by the CFD Administrator. Such determination shall be final following the issuance of a certificate of occupancy for the Dwelling Unit.

"Residential Property" means all Assessor's Parcels of Developed Property for which a Building Permit has been issued for purposes of constructing one (1) or more Dwelling Units.

"Single Family Residential" means all Assessor's Parcels of Developed Property for which a Building Permit has been issued for purposes of constructing one (1) single-family residential Dwelling Unit.

"Special Tax" or **"Special Taxes"** means the Special Tax A and/or Special Tax B that may be levied annually on one or more Assessor's Parcels of Taxable Property within CFD No. 2018-2 (IA No. 1) pursuant to this Rate and Method of Apportionment.

"Special Tax Levy" or "Special Tax Levies" means the Special Tax A and/or Special Tax B to be levied in each Fiscal Year on Assessor's Parcel of Taxable Property to fund the Special Tax Requirement for Facilities and Special Tax Requirement for Services, as applicable.

"Special Tax A" means the special tax to be levied in each Fiscal Year to fund the Special Tax Requirement for Facilities.

"Special Tax B" means the annual special tax to be levied in each Fiscal Year to fund the Special Tax Requirement for Services.

"Special Tax Requirement for Facilities" or "Special Tax A Requirement" means that amount of Special Taxes required, if any, in any Fiscal Year to (i) pay debt service on Outstanding Bonds payable in the calendar year commencing in such Fiscal Year, (ii) pay any amounts required to establish or replenish any reserve funds for all CFD No. 2018-2 (IA No. 1) Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement for Facilities in a previous Fiscal Year, (iii) pay for Administrative Expenses, (iv) pay for delinquencies reasonably anticipated to occur in the payment of the annual Special Tax for Facilities to be levied in such Fiscal Year, based on the fiscal year-end delinquency rate for the Special Taxes for Facilities levied in the previous Fiscal Year, (v) pay for previous Fiscal Year's delinquent Special Tax A in excess of the amount included in the previous Fiscal Year's computation under subsection (iv), (vi) pay directly for construction of CFD No. 2018-2 (IA No. 1) facilities eligible under the Act to the extent that inclusion of this amount does not result in a Special Tax Levy on Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, or Taxable Public Property, less, (vii) a credit for funds available to reduce the

Special Tax A, as determined by the CFD Administrator, so long as the Special Tax A Requirement is not less than zero.

"Special Tax Requirement for Services" or "Special Tax B Requirement" means that amount required in any Fiscal Year for CFD No. 2018-2 (IA No. 1) to: (i) pay directly for all Authorized Services eligible under the Act, including maintenance and reserves for maintenance of any Authorized Facilities; (ii) pay Administrative Expenses not funded through the Special Tax Requirement for Facilities as determined by the CFD Administrator; (iii) make debt service payments on Outstanding Bonds to the extent funds are not available from the Special Tax A Requirement, (iv) pay for delinquencies reasonably anticipated to occur in the payment of the annual Special Tax for Services to be levied in such Fiscal Year, based on the fiscal year-end delinquency rate for the Special Taxes for Services levied in the previous Fiscal Year, (v) pay for previous Fiscal Year's delinquent Special Tax B in excess of the amount included in the previous Fiscal Year's computation under subsection (iv); less (vi) a credit for funds available to reduce the annual Special Tax B levy, as determined by the CFD Administrator.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2018-2 (IA No. 1) that are not exempt Property Owner Association Property or exempt Public Property or other property exempted pursuant to Section E herein.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E herein.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E herein.

"Total Floor Area" means the sum of the Residential Floor Area and the Non- Residential Floor Area located on an Assessor's Parcel.

"Transition Component" means for each Fiscal Year beginning in the Transition Year, an amount spread among all Parcels then subject to Special Tax B: (A) equal to 20% of the Special Tax A in the Fiscal Year prior to the Transition Year, adjusted by applying the following to the Special Tax A amount in the Fiscal Year prior to the Transition Year: (i) disregarding items (iv) and (v) in the Special Tax A definition, and (ii) for any parcel that prepaid the Special Tax A, adding an amount equal to the Special Tax A that would have been due in the Fiscal Year prior to the Transition Year if such Parcel had not prepaid; (B) spread among all Parcels of Developed Property in the same proportion applicable to land uses as shown in Table 2.

"Transition Event" means the earlier of (i) July 1, 2068 or (ii) the Fiscal Year when the CFD Administrator determines that the following events have occurred: (i) all Bonds secured by the levy and collection of Special Tax A in the CFD have been fully repaid, (ii) all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and (iii) there are no other Authorized Facilities that the City intends to fund with Bonds and Facilities Taxes.

"Transition Year" means the first year in which the CFD Administrator determines that

the Transition Event occurred in the prior Fiscal Year.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Final Mapped Property, Taxable Property Owner Association Property, or Taxable Public Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2018-2 (IA No. 1) shall be classified as Developed Property, Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, or Taxable Public Property and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and D below. Residential Property shall be assigned to Land Use Classes 1 through 5 as listed in Table 1 below based on the description and the Residential Floor Area for each Dwelling Unit. Non-Residential Property shall be assigned to Land Use Class 6.

C. MAXIMUM SPECIAL TAX RATE

1. Special Tax A

a. Developed Property

(1) Maximum Special Tax A

The Maximum Special Tax A for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax A and (ii) the amount derived by application of the Backup Special Tax A.

In the Transition Year and each Fiscal Year thereafter, no Special Tax A shall be levied on Undeveloped Property within CFD No. 2018-2 (IA No. 1), unless there are delinquent Special Tax A amounts on a Parcel of Undeveloped Property, in which case such delinquent Special Tax A amounts can continue to be levied against a parcel until they are collected.

(2) Assigned Special Tax A

Residential Property shall be assigned to Land Use Classes 1 through 5 as listed in Table 1 below based on the Residential Floor Area for each Dwelling Unit. Non-Residential Property shall be assigned to Land Use Class 6. The Assigned Special Tax that shall be levied in Fiscal Year 2019-2020 for each Assessor's Parcel classified as Developed Property is shown on Table 1 below.

TABLE 1
Assigned Special Tax A for Developed Property
CFD No. 2018-2 (IA No. 1)
Fiscal Year 2019-2020

Land Use Class	Description	Assigned Special Tax
1	RESIDENTIAL PROPERTY (> 3,000 SF)	$2,913 per Dwelling Unit
2	RESIDENTIAL PROPERTY (2,501 - 3,000 SF)	$2,258 per Dwelling Unit
3	RESIDENTIAL PROPERTY (2,001 - 2,500 SF)	$1,667 per Dwelling Unit
4	RESIDENTIAL PROPERTY (1,501 - 2,000 SF)	$1,503 per Dwelling Unit
5	RESIDENTIAL PROPERTY (< 1,501 SF)	$1,375 per Dwelling Unit
6	NON-RESIDENTIAL PROPERTY	$16,076 per Acre

(3) Backup Special Tax A

The Backup Special Tax A for an Assessor's Parcel of Developed Property shall equal $16,076 per Acre.

Furthermore, all Assessor's Parcels within CFD No. 2018-2 (IA No. 1) shall be relieved simultaneously and permanently from the obligation to pay and disclose the Backup Special Tax A if the CFD Administrator calculates that (i) the annual debt service required for the Outstanding Bonds, when compared to the Assigned Special Tax A that could be levied against all Assessor's Parcels of Developed Property in CFD No. 2018-2 (IA No. 1), results in 110% debt service coverage (i.e., the Assigned Special Tax A that could be levied against all Developed Property in CFD No. 2018-2 (IA No. 1) in each remaining Fiscal Year based on the then existing development is at least equal to the sum of (a) 1.10 times the debt service necessary to support the remaining Outstanding Bonds in each corresponding Fiscal Year, and (b) the Administrative Expenses as defined in Section A herein), and (ii) all authorized CFD No. 2018-2 (IA No. 1) Bonds have already been issued or the City has covenanted that it shall not issue any additional CFD No. 2018-2 (IA No. 1) Bonds (except refunding bonds) to be supported by the Assigned Special Taxes in CFD No. 2018-2 (IA No. 1).

(4) Increase in the Assigned Special Tax A and Backup Special Tax A

On each July 1, commencing on July 1, 2020, the Assigned Special Tax A and the Backup Special Tax A shall be increased by an amount equal to two percent (2.00%) of the amount in effect for the previous Fiscal Year.

(5) Multiple Land Use Classes

In some instances, an Assessor's Parcel of Developed Property may contain more than one (1) Land Use Class. The Special Taxes levied on an Assessor's Parcel shall

be the sum of the Special Taxes for all Land Use Classes located on that Assessor's Parcel. If an Assessor's Parcel of Developed Property includes both Residential Property and Non-Residential Property, the Acreage to be assigned to the Non-Residential Property for purposes of establishing the annual Special Tax A shall equal the Non-Residential Floor Area on the Assessor's Parcel divided by Total Floor Area on the Assessor's Parcel multiplied by the Acreage of the Assessor's Parcel. Furthermore, for a condominium plan, if only a portion of its building permits have been issued, the remaining portion of the condominium plan shall be considered Final Mapped Property. The CFD Administrator's allocation to each type of property shall be final.

b. Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property

(1) Maximum Special Tax

The Fiscal Year 2019-2020 Maximum Special Tax for each Assessor's Parcel of Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be $16,076 per Acre.

(2) Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2020, the Maximum Special Tax for Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be increased by an amount equal to two percent (2.00%) of the amount in effect for the previous Fiscal Year.

2. Special Tax B

a. Developed Property

(1) Maximum Special Tax B

The Maximum Special Tax B for Fiscal Year 2019-2020 for each Land Use Class to which it applies is shown below in Table 2 plus, beginning in the Transition Year and for each year thereafter, the Transition Component.

TABLE 2
Maximum Special Tax B for Developed Property
CFD No. 2018-2 (IA No. 1)
Fiscal Year 2019-2020

Land Use Class	Description	Assigned Special Tax (excluding Transition Component)
1	SINGLE FAMILY RESIDENTIAL	$520 per Dwelling Unit
2	MULTI-FAMILY RESIDENTIAL	$343 per Dwelling Unit

(2) Increase in the Maximum Special Tax B

On each July 1, commencing on July 1, 2020, the Maximum Special Tax B, other than the Transition Component, for Developed Property shall be increased annually by four (4.00%) percent per Fiscal Year and the Transition Component of Special Tax B shall be increased annually by two (2.00%) percent in each Fiscal Year following the first Fiscal Year in which it becomes applicable.

(3) Multiple Land Use Classes

In some instances, an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax B levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax B for all Land Use Classes located on that Assessor's Parcel.

Special Tax B may be pledged to pay debt service on Outstanding Bonds on a first lien basis.

b. Non-Residential Property, Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property

No Special Tax B shall be levied on Non-Residential Property, Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, or Taxable Public Property.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

1. Special Tax A

Commencing with Fiscal Year 2018-2019 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax A Levy as follows:

First: The Assigned Special Tax A shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax A for Developed Property.

Second: If additional monies are needed to satisfy the Special Tax A Requirement after the first step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Final Mapped Property until (i) the total Special Taxes levied under the first two steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on Final Mapped Property equal 100% of the Maximum Special Tax, whichever comes first.

Third: If additional monies are needed to satisfy the Special Tax A Requirement

after the first two steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property until (i) the total Special Taxes levied under the first three steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Tax A levied on Undeveloped Property equals 100% of the Maximum Special Tax A, whichever occurs first.

Fourth: If additional monies are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, then the levy of the Special Tax A on each Assessor's Parcel of Developed Property for which the Maximum Special Tax A is determined through the application of the Backup Special Tax A shall be increased in equal percentages from the Assigned Special Tax A up to 100% of the Maximum Special Tax A for each such Assessor's Parcel of Developed Property until (i) the total Special Taxes levied under the first four steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Developed Property equal 100% of the Maximum Special Tax A for Developed Property, whichever occurs first.

Fifth: If additional monies are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property until (i) the total Special Taxes levied under the first five steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Taxable Property Owner Association Property equal 100% of the Maximum Special Tax A for Property Owner Association Property, whichever occurs first.

Sixth: If additional monies are needed to satisfy the Special Tax A Requirement after the first five steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property until (i) the total Special Taxes levied under the first six steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Taxable Public Property equal 100% of the Maximum Special Tax A for Taxable Public Property, whichever occurs first.

Notwithstanding the above, the CFD Administrator or its designee may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax A in the first step (above), when (i) the City is no longer required to levy the Special Tax A beyond the first step (above) in order to meet the Special Tax A Requirement; and (ii) all authorized CFD No. 2018-2 (IA No. 1) Bonds have already been issued or the City has covenanted that it will not issue any additional CFD No. 2018-2 (IA No. 1) Bonds (except refunding bonds), to be supported by the Special Tax A.

2. Special Tax B

Commencing with Fiscal Year 2018-2019 and for each following Fiscal Year, the CFD Administrator shall Proportionately levy the annual Special Tax B on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax B, until the amount of Special Taxes equals the Special Tax B Requirement.

E. EXEMPTIONS

1. Special Tax A

No Special Tax shall be levied on Public Property, and Property Owner Association Property, in CFD No. 2018-2 (IA No. 1) provided that no such exemption shall reduce the total Acreage of Taxable Property to less than 49.67 Acres. Tax-exempt status shall be assigned by the CFD Administrator in the chronological order in which property in CFD No. 2018-2 (IA No. 1) becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel of Public Property, or Property Owner Association Property no longer be classified as tax-exempt, it will, from that point forward, be subject to the Special Tax. Furthermore, any Assessor's Parcel designated as Public Property or Property Owner Association Property that cannot be exempt from the Special Tax because such exemption would reduce the Acreage of all Taxable Property within CFD No. 2018-2 (IA No. 1) to less than 49.67 Acres shall be designated as Taxable Public Property or Taxable Property Owner Association Property.

Prior to sixty (60) days before the issuance of a first series of CFD No. 2018-2 (IA No. 1) Bonds, the CFD Administrator may increase or decrease the final number of minimum taxable Acres in CFD No. 2018-2 (IA No. 1) to better reflect the actual tax-exempt acreage within CFD No. 2018-2 (IA No. 1). However, notwithstanding the above, the final number of taxable Acres in CFD No. 2018-2 (IA No. 1) shall not be decreased if it causes an increase in the Special Tax levied on any existing Assessor's Parcel of Developed Property.

2. Special Tax B

No Special Tax B shall be levied on Public Property and Property Owner Association Property.

F. REVIEW/APPEAL PROCESS

Any taxpayer may file a written appeal of the Special Tax on his/her property with the City, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator or its designee shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination within sixty (60) days after receipt of the appeal. If the CFD Administrator agrees with the appellant, the CFD Administrator shall make a recommendation to the City to eliminate or reduce the Special Tax on the appellant's property or to provide a refund to appellant. The approval of the City or its designee must be obtained prior to any such elimination or reduction. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has thirty (30) days in which to appeal to the City by filing a written notice of appeal with the CFD Administrator, provided that the appellant is current in his/her payments of the Special Taxes. The second appeal must specify the reasons for the appellant's disagreement with the CFD Administrator's determination. The CFD Administrator

shall schedule the appeal to be heard before the City within sixty (60) days after receipt of the second appeal.

Interpretations may be made by the City, without Resolution or Ordinance of the City Council, for purposes of clarifying any vagueness or ambiguity as it relates to the Special Taxes, the Rate and Method of Apportionment, Land Use Classes, or any other definition applicable to CFD No. 2018-2 (IA No. 1).

Without City Council approval, the CFD Administrator may make minor, non-substantive administrative and technical changes to the provisions of this document that do not materially affect the rate, method of apportionment, and manner of collection of the Special Tax for purposes of administrative efficiency or convenience or to comply with new applicable federal, state, or local law.

The City, upon request of an owner of land within the CFD No. 2018-2 (IA No. 1) which is not Developed Property, may also amend this Rate and Method of Apportionment to reallocate the Special Tax applicable to such owner's land in a manner acceptable to the City, without Resolution or Ordinance of the City Council, upon the affirmative vote of such owner and without the vote of owners of any other land within the CFD No. 2018-2 (IA No. 1), provided such amendment (i) only affects the such owner's land, (ii) does not reduce the total annual Maximum Special Tax revenue for the CFD No. 2018-2 (IA No. 1), and (iii) provides for a Special Tax distribution upon development of such land which is reasonably proportional and consistent with Special Tax rates provided for in Section C (including escalations thereto) for similar land uses and is compliant with the tax assessment loan exception contained in U.S. Treasury Regulation Section 1.141-5(d).

G. MANNER OF COLLECTION

The Special Tax Levy will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2018-2 (IA No. 1) may directly bill the Special Tax Levy, may collect Special Tax Levies at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. PREPAYMENT OF SPECIAL TAX A

Under this Rate and Method of Apportionment, an Assessor's Parcel within CFD No. 2018-2 (IA No. 1) is permitted to prepay the Special Tax A. The obligation of the owner of an Assessor's Parcel to pay the Special Tax A may be fully or partially prepaid and permanently satisfied as described herein, provided that a prepayment may be made only for Assessor's Parcels of Developed Property, or for an Assessor's Parcel of Final Mapped Property or Undeveloped Property for which a Building Permit has been issued after January 1, 2018, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax A obligation shall provide the CFD Administrator with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the CFD Administrator shall notify such owner of the Special Tax A Prepayment Amount (defined below) for such Assessor's Parcel. The CFD Administrator may charge such owner a reasonable fee for providing this service. If there are Outstanding Bonds,

prepayment must be made not less than thirty (30) days prior to a date that notice of redemption of CFD No. 2018-2 (IA No. 1) Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture.

The Special Tax B may not be prepaid.

The following additional definitions apply to this Section H:

"CFD Public Facilities Costs" means either $10,500,000 in 2019 dollars, which shall increase by the Construction Inflation Index on July 1, 2020, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide funding for the Authorized Facilities under the authorized bonding program for CFD No. 2018-2 (IA No. 1), or (ii) shall be determined by the City concurrently with a covenant that it shall not issue any more CFD No. 2018-2 (IA No. 1) Bonds (except refunding bonds) to be supported by the Special Tax A levy under this Rate and Method of Apportionment.

"Construction Inflation Index" means the annual percentage change in the Engineering News Record Building Cost Index for the City of San Francisco, measured as of the month of December in the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News Record Building Cost Index for the City of San Francisco.

"Future Facilities Costs" means the CFD Public Facilities Costs minus (i) costs of Authorized Facilities previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund available to pay costs of Authorized Facilities, (iii) monies currently on deposit in an escrow fund established pursuant to the Indenture and expected to be available to fund Authorized Facilities and (iii) the amount the CFD Administrator reasonably expects to derive from the reinvestment of these funds.

"Improvement Fund" means a fund or account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct Authorized Facilities.

"Previously Issued Bonds" means, for any Fiscal Year, all Outstanding Bonds that are outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

1. Prepayment in Full

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

Bond Redemption Amount	
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	Capitalized Interest Credit
Equals	Special Tax A Prepayment Amount

As of the proposed date of prepayment, the Special Tax A Prepayment Amount shall be calculated according to the following paragraphs:

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

2. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax A and Backup Special Tax A for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Final Mapped Property or Undeveloped Property for which a Building Permit has been issued after January 1, 2018, compute the Assigned Special Tax A and Backup Special Tax A for that Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit which has already been issued for such Assessor's Parcel.

3. (a) Divide the Assigned Special Tax A computed pursuant to paragraph 2 by the total estimated Assigned Special Tax A levy for CFD No. 2018-2 (IA No. 1) based on the Assigned Special Taxes for Developed Property which could be levied on all expected development assuming Buildout of CFD No. 2018-2 (IA No. 1), excluding any Assessor's Parcels which have been prepaid, and

(b) Divide the Backup Special Tax A computed pursuant to paragraph 2 by the total estimated Backup Special Taxes at Buildout for the entire CFD No. 2018-2 (IA No. 1), excluding any Assessor's Parcels which have been prepaid.

4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Previously Issued Bonds to compute the amount of Previously Issued Bonds to be redeemed (the "Bond Redemption Amount").

5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Previously Issued Bonds to be redeemed (the "Redemption Premium").

6. Compute the current Future Facilities Costs.

7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 5 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").

8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Previously Issued Bonds.

9. Determine the Special Tax A levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.

10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Special Tax A Prepayment Amount, less any interest earnings attributed to the Administrative Fees and Expenses (defined below) from the date of prepayment until the redemption date for the Previously Issued Bonds to be redeemed with the prepayment.

11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").

12. The administrative fees and expenses of CFD No. 2018-2 (IA No. 1) are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2018-2 (IA No. 1) Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").

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

14. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the expected balance in the capitalized interest fund or account under the Indenture after such first interest and/or principal payment date (the "Capitalized Interest Credit").

15. The Special Tax A prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11, and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Special Tax A Prepayment Amount").

2. Prepayment in Part

The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

PP = (PE – A) x F + A.

These terms have the following meaning:

PP = the partial prepayment
PE = the Special Tax A Prepayment Amount calculated according to Section H.1
F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax A.
A = the Administration Fees and Expenses from Section H.1.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax A and the percentage by which the Special Tax A shall be prepaid.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section H.3, and (ii) indicate in the records of CFD No. 2018-2 (IA No. 1) that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax A, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

3. General Provisions Applicable to the Prepayment of Special Tax

(a). Use of the Special Tax Prepayment Amount

The Special Tax A Prepayment Amount, less the Administrative Fees and Expenses calculated according to Sections H.1 and H.2 which shall be retained by CFD No. 2018-2 (IA No. 1), and less the Future Facilities Amount calculated according to Section H.1 which shall be deposited into the Improvement Fund, shall be deposited into specific funds established under the Indenture, to fully or partially redeem as many Outstanding Bonds as possible, and, if amounts are less than $5,000, to make debt service payments on the Outstanding Bonds (collectively designated as the "Bond Retirement Funds").

(b). Full Prepayment of Special Tax A

Upon confirmation of the payment of the current Fiscal Year's entire Special Tax A obligation, the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid in accordance with Section H.1, the CFD Administrator may cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation to pay the Special Tax for such Assessor's Parcel shall cease.

(c). Partial Prepayment of Special Tax A

With respect to any Assessor's Parcel that is partially prepaid, the CFD Administrator shall (i) distribute or cause to be distributed the funds remitted to it according to Section H.2. and (ii) indicate in the records of CFD No. 2018-2 (IA No. 1) that there has been a partial prepayment of the Special Tax A and that a portion of the Special Tax A with respect to such Assessor's parcel, equal to the outstanding percentage (1.00 – F) of the Maximum Special Tax A, shall continue to be levied on such Assessor's Parcel pursuant to Section D herein.

(d). Debt Service Coverage

Notwithstanding the foregoing, no prepayment of the Special Tax A shall be allowed unless the amount of Special Tax A that may be levied on Taxable Property (assuming Buildout) within CFD No. 2018-2 (IA No. 1) in each future Fiscal Year (after excluding, Taxable Public Property and Taxable Property Owner Association Property as set forth in Section E herein), after the proposed prepayment, is at least equal to the sum of (i) 1.10 times the debt service necessary to support the remaining Outstanding Bonds in each corresponding Fiscal Year, and (ii) the Administrative Expenses as defined in Section A herein. Similarly, no prepayment of the Special Tax A shall be allowed if the amount of Special Tax A that

may be levied on Taxable Property (assuming Buildout) within CFD No. 2018-2 (IA No. 1) in each future Fiscal Year (after excluding Taxable Property Owner Association Property and Taxable Public Property as set forth in Section E herein), after the proposed prepayment, does not at least equal to 1.10 times the debt service necessary to support the share of Outstanding Bonds that are secured by the Special Taxes.

I. TERM OF SPECIAL TAX

The Special Tax A shall be levied until the final series of CFD No. 2018-2 (IA No. 1) Bonds have matured, provided that the Special Tax A shall not be levied after Fiscal Year 2068-2069. The Special Taxes will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on the CFD No. 2018-2 (IA No. 1) Bonds have been paid and the City has covenanted that it will not issue any more Bonds (other than refunding Bonds) to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D. The Special Tax B shall be levied as long as necessary to meet the Special Tax Requirement for Services.

APPENDIX B

THE APPRAISAL

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Integra Realty Resources
Sacramento

Appraisal of Real Property

Westlake Villages II
Single-Family Residential Development
Eight Mile Rd.
Stockton, San Joaquin County, California 95219

Prepared For:
City of Stockton

Effective Date of the Appraisal:
March 29, 2021

Report Format:
Appraisal Report – Standard Format

IRR - Sacramento
File Number: 193-2021-0067

Westlake Villages II
Eight Mile Rd.
Stockton, California

Integra Realty Resources
Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916.435.3883
F 916.435.4774
www.irr.com

May 6, 2021

Kevin Beltz
Program Manager III
City of Stockton
425 North El Dorado St.
Stockton, CA 95202

SUBJECT: Market Value Appraisal
Westlake Villages II
Eight Mile Rd.
Stockton, San Joaquin County, California 95219
IRR - Sacramento File No. 193-2021-0067

Dear Mr. Beltz:

Integra Realty Resources – Sacramento has prepared an appraisal report for the purpose of estimating the market value (*fee simple estate*), subject to a hypothetical condition, of certain developed and undeveloped properties within the boundaries of Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II), under the assumptions and limiting conditions contained in this report.

The appraisal report has been conducted in accordance with appraisal standards and guidelines found in 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 (2004). This document is an Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP.

Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) ("CFD No. 2018-2 (Westlake Villages II)") is located in the northwestern portion of the city of Stockton. Specifically, the subject is located south of Eight Mile Road, west of Regatta Lane, east of Westlake Drive, and north of Fathom Lane, within the city of Stockton, San Joaquin County, California. The CFD No. 2018-2 (Westlake Villages II) consists of 377 residential lots along with tax-exempt public land uses such as parks within three villages. As of the date of inspection (value), March 29, 2021, the subject consists of a

portion of CFD No. 2018-2 (Westlake Villages II) (taxable parcels) that represent finished lots, partially completed homes and completed homes that have not been assigned an assessed value (or nominal value) for structural improvements. A more detailed description of the subject properties is provided within the attached report.

We have been requested to provide a market value of the appraised properties by ownership, as well as a cumulative, or aggregate, value of the property, as of the date of inspection (value). The market value of the appraised properties by Assessor's parcel is located within the addenda of the report.

The market value of the appraised properties comprising CFD No. 2018-2 (Westlake Villages II) account for the impact of the Lien of the Special Tax securing the Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) Special Tax Bonds, Series 2021.

As a result of our analysis, it is our opinion the cumulative, or aggregate, values, in accordance with the assumptions and conditions set forth in the attached document, as well as the Assessed Values of the completed single-family residences not appraised, as of March 29, 2021, are presented below.

Value Conclusion

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Total Aggregate Value	Fee Simple	March 29, 2021	$88,976,000

Extraordinary Assumptions and Hypothetical Conditions

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. It is presumed there are no adverse soil conditions, toxic substances or other environmental hazards that may interfere or inhibit development of the subject property. If, at some future date, items are discovered that are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion of value stated herein.

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. The market value estimated herein is 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 the analysis." It is a hypothetical condition of the Appraisal that certain proceeds from the Bonds will be used to reimburse for public infrastructure improvements completed. The estimates of value herein account for the impact of the lien of the special taxes securing the Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) Special Tax Bonds.

This estimate of value above represents a "not-less-than" value due to the fact we were requested to provide a market value of the smallest floor plan for each single-family

residential lot improved with a completed home with an incomplete assessed value for land and improvements.

Any properties within CFD No. 2018-2 (Westlake Villages II) not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), are not a part of this appraisal.

Please note the aggregate value noted herein ***is not*** the market value of the appraised properties in bulk. As defined by The Dictionary of Real Estate Appraisal, an aggregate value is the "total of multiple market value conclusions." For purposes of this report, market value is estimated by ownership.

The estimates of market value provided assume a transfer would reflect a cash transaction or terms considered to be equivalent to cash. The estimates are also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller acting prudently, knowledgeably, for their own self-interest and assuming neither is under duress. Further, the estimates of market value estimated herein specifically assume the appraised properties within the boundaries of the CFD are not marketed concurrently, which would suggest a market under duress.

We hereby certify the appraised properties have been inspected and have impartially considered all data collected in the investigation. Further, we have no past, present or anticipated future interest in the subject. This letter must remain attached to the report, which contains 86 pages, plus related exhibits and Addenda, in order for the value opinions set forth herein to be considered valid.

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

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

INTEGRA REALTY RESOURCES - SACRAMENTO

Blake Fassler
Certified General Real Estate Appraiser
California Certificate # 3007274
Telephone: 916-505-4471
Email: bfassler@irr.com

Kevin Ziegenmeyer, MAI
Certified General Real Estate Appraiser
California Certificate # AG013567
Telephone: 916-435-3883, ext. 224
Email: kziegenmeyer@irr.com

Eric Segal, MAI
Certified General Real Estate Appraiser
California Certificate # AG026558
Telephone: 916-435-3883, ext. 228
Email: esegal@irr.com

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B. Definitions
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Summary of Salient Facts and Conclusions

Property:	Property within the boundaries of Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II).
Location:	The subject is located in the northwestern portion of the city of Stockton. Specifically, the subject is located south of Eight Mile Road, west of Regatta Lane, east of Westlake Drive, and north of Fathom Lane, within the city of Stockton, San Joaquin County, California.
Assessor Parcel Numbers:	The subject has final maps recorded for all of the villages, but the lots have not yet been assigned individual Assessor's parcel numbers.
Zoning:	Zoning: MX – Mixed Use (Density consistent with the Master Development Plan) General Plan: Mixed Use (29 units/net acre maximum) Master Development Plan: MX – Mixed Use Village C – 4.6 to 6.0 units/acre Village D – 6.1 to 8.0 units/acre Village F – 4.6 to 6.0 units/acre
Flood Zone:	Zone X (shaded) – Within the 500-year flood plain.
Earthquake Zone:	Zone 3 – Moderate seismic activity (not located in a Fault-Rupture Hazard Zone)
Entitlements:	The single-family residential parcels have final maps recorded for the 377 lots, but individual Assessor parcel numbers have yet to be assigned.
Lot Sizing:	
Village C1 - (87 lots)	Parcels (lots) have a typical lot size of 5,225 square feet
Village C2 - (101 lots)	Parcels (lots) have a typical lot size of 5,225 square feet
Village D - (73 lots)	Parcels (lots) have a typical lot size of 5,225 square feet
Village F - (116 lots)	Parcels (lots) have a typical lot size of 4,500 square feet
Highest and Best Use, as Improved:	Continuation of single-family residential use

Property Rights Appraised:	Fee simple interest
Date of Inspection:	March 29, 2021
Effective Date of Value:	March 29, 2021
Date of Report:	May 6, 2021
Exposure Time/Marketing Time:	12 months
Conclusion of Cumulative, or Aggregate, Value of the District:	

Value by Ownership

Owner	Total Market Value	
Richmond American Homes	$7,528,000	Not-Less-Than Market Value
DR Horton	$10,744,000	
Lennar Homes	$15,046,000	Not-Less-Than Market Value
Caresco Homes	$6,676,000	Not-Less-Than Market Value
Individual Homeowners	$43,174,000	Not-Less-Than Market Value
Master Developer (EMDI)	$5,808,000	
Total Aggregate Value	**$88,976,000**	

Extraordinary Assumptions and Hypothetical Conditions

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. It is presumed there are no adverse soil conditions, toxic substances or other environmental hazards that may interfere or inhibit development of the subject property. If, at some future date, items are discovered that are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion of value stated herein.

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. The market value estimated herein is 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 the analysis.” It is a hypothetical condition of the Appraisal that certain proceeds from the Bonds will be used to reimburse for public infrastructure improvements completed. The estimates of value herein account for the impact of the lien of the special taxes securing the Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) Special Tax Bonds.

This estimate of value above represents a “not-less-than” value due to the fact we were requested to provide a market value of the smallest floor plan for each single-family residential lot improved with a completed home with an incomplete assessed value for land and improvements.

The market value of the appraised properties by Assessor's parcel can be found in the Addenda of this Appraisal Report. Any properties within the CFD not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), are not a part of this appraisal.

Please note the aggregate value noted herein ***is not*** the market value of the appraised properties in bulk. As defined by The Dictionary of Real Estate Appraisal, an aggregate value is the "total of multiple market value conclusions." For purposes of this report, market value is estimated by ownership. The estimates of market value account for the impact of the Lien of the Special Taxes securing the Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) Special Tax Bonds.

The estimates of market value, by ownership, estimated herein specifically assume the appraised properties within the boundaries of the CFD are not marketed concurrently, which would suggest a market under duress.

The value conclusions noted above are subject to the Extraordinary Assumptions, Hypothetical Conditions, General Assumptions and Limiting Conditions referenced in this report.

General Information

Identification of Subject

Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) is located in the northwestern portion of the city of Stockton. Specifically, the subject is located south of Eight Mile Road, west of Regatta Lane, east of Westlake Drive, and north of Fathom Lane, within the city of Stockton, San Joaquin County, California. The CFD consists of 377 residential lots along with tax-exempt public land uses such as parks within three villages. As of the date of inspection (value), March 29, 2021, the subject consists of a portion of the CFD (taxable parcels) that represent finished lots, partially completed homes and completed homes that have not been assigned an assessed value (or nominal value) for structural improvements. A legal description of the property was requested but not provided.

A table depicting the division of ownership of the subject property is below.

Owners of Record

Owners of Record	Village	Vacant Finished Lots	Homes Under Construction	Completed Homes	Total
Richmond American Homes	C1	4	35	2	41
Caresco Homes	C1	20	18	2	40
Lennar Homes	C2	54	29	5	88
DR Horton	F	41	31	-	72
EMDI*	F	44	-	-	44
Individual Homeowners	C1/C2/D/F	-	-	92	92
Total		163	113	101	377

*Master Developer

As will be shown on the following page, a majority of the subject property has transferred from the master developer to the respective homebuilders over the past year. Further, the remaining portion of Village F is under contract. It is noted that FCB Homes constructed and sold out all the homes to individual homeowners within Village D. All of the homebuilders are in the process of constructing homes and selling to individual homeowners; however, DR Horton is in the process of constructing

their model homes. The details of each village are shown in the following table.

Subject Villages

Village	Number of Lots	Typical Lot Size	Comments
C1	87	5,225	Finished lots, homes under construction and completed homes
C2	101	5,225	Finished lots, homes under construction and completed homes (43 waterfront lots)
D	73	5,225	Completed homes sold to individual homeowners
F	116	4,500	Finished Lots and homes under construction

Sale History

The appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP) for Mass Appraisals, insomuch this appraisal report does not provide a discussion of the sales history for each parcel appraised herein during the past three years. The scope of work outlined in this report is based on the specific intended use of this appraisal report. As will be shown and detailed herein, the appraised properties have been the subject of previous, recent and pending transactions as improved single-family residential lots and completed single-family homes currently being marketed for sale within the CFD.

Stockton Westlake Investment (SWI), LLC (an A.G. Spanos Company) owned the land in Westlake Villages II and for development purposes transfers land to Eight Mile Development, Inc (EMDI) (an A.G. Spanos Company) to complete the horizontal development and sale improved lots to New Home Builders. For purposes of this valuation, EMDI is recognized as the Master Developer.

On October 29, 2020, a portion of Village F, 72 finished lots with a typical lot size of 4,500 square feet, was purchased by DR Horton from EMDI for $7,452,000 ($103,500 per lot for the 72 lots). The lots transferred in finished condition. DR Horton is expected to exercise their option to purchase the remaining 44 lots at the same per lot price in August of 2021.

On May 13, 2020, a portion of the subject property within Village C1, 41 finished lots with a typical lot size of 5,225 square feet, was purchased by Richmond American Homes from EMDI for $4,100,000 ($100,000 per lot for the 41 lots). The lots transferred in finished condition.

On May 15, 2020, a portion of the subject property within Village C1, 26 finished lots with a typical lot size of 5,225 square feet, was purchased by Caresco from EMDI for $2,536,612 ($97,562 per lot for the 26 lots). Further, this transaction is a two phased transaction an additional 20 lots transferring on December 15, 2020 for $1,951,240 ($97,562 per lot). All of the lots transferred in finished condition.

On June 4, 2020, a portion of the subject property within Village C2, 40 finished lots with a typical lot size of 5,225 square feet, was purchased by Lennar from EMDI for $4,400,000 ($110,000 per lot for the 40 lots). Further, this transaction is two phased transaction an additional 61 lots within Village C2 transferred on March 9, 2021 for $6,710,000 ($110,000 per lot). All of the lots transferred in finished condition. It is noted 43 of the lots have a waterfront lot premium.

There was another transaction within the subject property between FCB Homes and EMDI. The transfer was of 73 lots; however, this transaction is considered non-arm's length between FCB Homes and the master developer, as they entered into a joint venture called Regatta Partners. FCB Homes is never a vested owner of either lots or homes in the District. Lots transfer from EMDI to Regatta Partners and EMDI and FCB split profits via their interest in Regatta Partners when each completed FCB home transfers to a homeowner.

All three arm's length transactions had no unusual motivations. Considering the condition of the lots at the time sale, the prior arm's length transactions are considered reasonable indicators of the subject's market value, as of the date of purchase. Therefore, the previous sales of the subject property are generally consistent with current market value. To our knowledge, the subject is not being marketed for sale in bulk.

Pending Transactions

The remaining 44 lots within Village F are under contract to DR Horton. We were provided with the details of the transaction, but the details are considered to be confidential until the property transfers. The transaction is arms-length with no unusual motivations. Based on our review of the transaction, the pending purchase is considered to be consistent with market transactions.

Purpose of the Appraisal

The purpose of this appraisal is to estimate the market value (*fee simple estate*), by ownership, and the cumulative, or aggregate, value, of the appraised properties comprising of the Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II), subject to the hypothetical condition certain proceeds from the Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Village II) Special Tax Bonds, Series 2021 are available to reimburse for infrastructure improvements completed, as of the effective date of the appraisal, March 29, 2021. The date of the report is May 6, 2021. The appraisal is valid only as of the stated effective date.

Definition of Market Value

Market value is defined as:

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

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

- Payment is made in terms of cash in 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: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Definition of Property Rights Appraised

Fee simple estate is defined as, "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

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

Intended Use and User

The client and intended user of the report is the City of Stockton and the associated Finance Team. The appraisal report is intended for use in bond underwriting and will be included in the Preliminary Official Statement and the Official Statement used to market the bonds.

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 (2004).

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

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.

Scope of Work

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

Several legal and physical aspects of the subject properties were researched and documented. A physical inspection of the properties was completed and serves as the basis for the site description contained in this report. Information was provided by representatives of the City of Stockton and the master developer regarding a description of the development plan and costs. The sales history was verified by consulting the master developer and public records. Zoning and entitlement information was collected from the City of Stockton Planning Department. The subject's earthquake zones, flood zones and utilities were obtained from the respective agencies, and property tax information was obtained from the San Joaquin County Assessor's Office on-line resources.

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

In this appraisal, the highest and best use of the subject properties, as though vacant and as improved, was determined based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity).

The valuation of the subject includes the underlying land and the value of finished homes as well as consideration for permits and impact fees paid for homes under construction; however, the valuation gives no consideration to partially completed homes. For the valuation of the finished homes we utilized the sales comparison approach to analyze the smallest floor plan. In the valuation of the subject's lots, we selected a benchmark lot category, in which we utilized the sales comparison approach and land residual analysis. In the sales comparison approach, adjustments were applied to the prices of comparable bulk lot transactions. Then, as a support of reasonableness, we utilized a land residual analysis, which was reconciled with the sales comparison approach to conclude a market value for the subject's lots. After reconciling the indications of value estimated via the sales comparison approach and the land residual analysis, we used market derived adjustments to conclude estimates for the remaining lot size categories within CFD No. 2018-2 (Westlake Villages II).

The cost and income capitalization approaches to value were not considered applicable to the valuation of the subject property, since the subject is comprised of land under development with limited, if any, extended income producing potential. Although a traditional cost approach was not

employed, as part of the land residual analysis (LRA), home construction costs were analyzed and taken into account.

The market 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 the analysis." It is a hypothetical condition of the Appraisal certain proceeds from the Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Village II) Special Tax Bonds, Series 2021 are available to reimburse for infrastructure improvements completed. The estimate of market value accounts for the impact of the Lien of the Special Taxes securing the Bonds.

Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to 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.

Inspection

Blake Fassler and Kevin Ziegenmeyer, MAI, conducted an on-site inspection of the property on March 22, 2021. Eric Segal, MAI, completed an on-site inspection on March 21, 2021. As a condition of this assignment the date of value is March 29, 2021.

It should be noted that status reports for each of the subject's Villages were surveyed as of the date of inspection and do not necessarily reflect the status of the project as of March 29, 2021. The variance in project status between the updates provided and the physical condition and sales status is considered nominal.

Economic Analysis

Area Analysis – San Joaquin County

Introduction

The worldwide outbreak of the COVID-19 virus and the subsequent chain of events enacted in an effort to minimize the impacts of the pandemic are still in process and evolving. Healthcare and economic responses to this crisis are unfolding in the present, with limited quantifiable data available to gauge the future impact on the local, state and national economies. The following analysis is largely based on historical information as a means of identifying past demographic and general economic trends, both of which will be impacted as more time passes and data becomes available for analysis.

San Joaquin County is located in the north central part of the San Joaquin Valley, bordered by Sacramento County to the north, Stanislaus County to the south, Calaveras County to the east and Alameda County to the west. The Sierra Nevada Mountains line the county's eastern border, while the Pacific Coast Range and the Sacramento River Delta border the county on the west. The Stockton Metropolitan Statistical Area (MSA) includes all of San Joaquin County, and is made up of the communities of Stockton, Lodi, Manteca, Tracy, Ripon, Lathrop and Escalon. Stockton is the County Seat and is located on the San Joaquin River east of the Delta, a fertile agricultural area at the confluence of the San Joaquin and Sacramento Rivers, approximately 30 to 35 miles west. The county's 902,400 acres consists mainly of level, irrigated orchards and farmland with fertile soils. San Joaquin County has historically been an agricultural region, but recently more industry and technology related businesses have located in the area.

Population

The population of San Joaquin County is over 770,000 and has shown an average growth of 1.4% per year over the past five years. Stockton is by far the most populous city, with over 318,000 residents. Lathrop is the fastest growing area in the county.

The following table illustrates recent population trends for areas within San Joaquin County.

Population Trends

City	2015	2016	2017	2018	2019	2020	%/Yr
Escalon	7,396	7,408	7,453	7,441	7,442	7,478	0.2%
Lathrop	20,719	22,099	23,117	24,185	25,401	26,833	5.9%
Lodi	64,292	64,860	65,523	66,390	67,430	67,930	1.1%
Manteca	74,721	76,692	78,738	80,829	83,395	84,800	2.7%
Ripon	14,836	14,982	15,374	15,447	15,688	15,930	1.5%
Stockton	306,154	309,976	313,504	314,950	317,271	318,522	0.8%
Tracy	87,202	88,760	90,566	92,631	94,586	95,931	2.0%
Unincorporated	147,307	149,314	151,206	152,061	154,343	156,208	1.2%
Total	**722,627**	**734,091**	**745,481**	**753,934**	**765,556**	**773,632**	**1.4%**

Source: California Department of Finance

Transportation

California's two main north-south arterials, Interstate 5 and Highway 99, travel through San Joaquin County. Interstate 5 travels the length of California from its southern border with Mexico north to Canada. State Highway 99 parallels Interstate 5, connecting Stockton to Fresno and Bakersfield to the south and Sacramento to the north. The city of Tracy has good access to the San Francisco Bay Area. Interstate 580/205 extends from Tracy westward to the cities of Livermore, Pleasanton, Oakland, San Francisco and San Jose.

The region also has an extensive network of railways. Union Pacific, ACE Commuter Express and Amtrak all have stops in Stockton and connect with the rest of the nation. Burlington Northern Santa Fe (BNSF) operates an intermodal facility in southeastern Stockton, providing long haul transportation requirements. The Altamont Commuter Express (ACE) opened for commuter travel in June 1998. This train travels between Stockton, at its most eastern terminus, through Tracy to San Jose and the East Bay Area. This train provides alternate transportation for thousands of commuters who live in the valley but work in San Jose or the East Bay.

Air transportation facilities throughout California's Central Valley provide access to international freight, shipments and commercial access to major western markets. The main airport in San Joaquin County is Stockton Metropolitan Airport. In 2003, Emery Forwarding began offering six times per week cargo service from Stockton to Dayton, Ohio. Between 2001 and 2003, America West Express provided twice-daily passenger service to Phoenix but has since discontinued service in Stockton. In 2006, Allegiant Air began offering commercial flights from Stockton and currently offers flights to Las Vegas, Phoenix-Mesa and San Diego. The nearest international airports are located in Sacramento, Oakland, San Francisco and San Jose.

San Joaquin County has an excellent water transportation network. The city of Stockton is situated along the San Joaquin Delta, which connects to the San Francisco Bay and the Sacramento and San Joaquin Rivers. The Port of Stockton is the third largest landholder port in California and has a Foreign Trade Zone designation. The Port operates on 2,100 acres, with berthing space for 17 vessels and more than 1.1 million square feet of dockside transit sheds. There are an additional 7.7 million square feet of warehouses available for dry bulk, break bulk and other materials. Stockton's deep-water channel has an average depth of 35 feet, which is deep enough to allow access to ships similar in size to those traveling through the Panama Canal.

Employment & Economy

The California Employment Development Department has reported the following employment data for San Joaquin County over the past five years.

Employment Trends

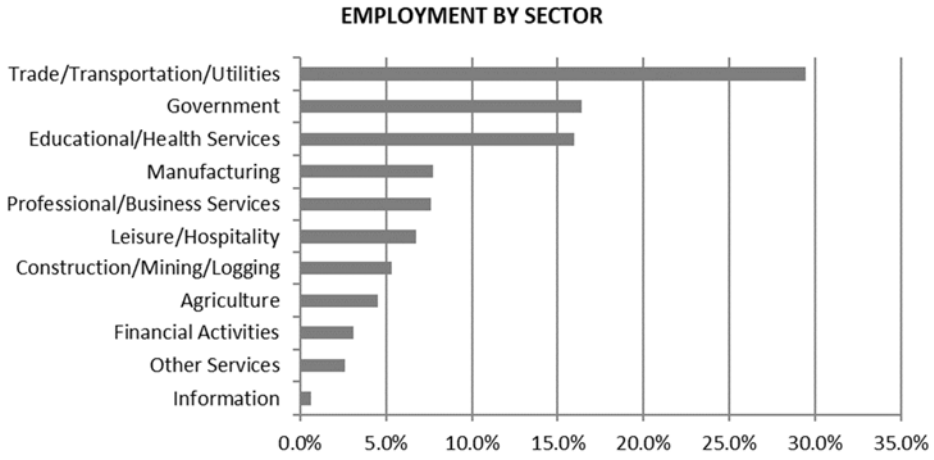
	2015	2016	2017	2018	2019	2020
Labor Force	314,300	318,200	323,300	324,500	327,100	324,600
Employment	286,400	292,400	300,700	304,600	307,900	287,100
Job Growth	7,200	6,000	8,300	3,900	3,300	(20,800)
Unemployment Rate	8.9%	8.1%	7.0%	6.1%	5.9%	11.6%

Source: California Employment Development Department

Most areas within the state and nation, including San Joaquin County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, and declines between 2011 and 2019. However, this downward trend has shifted as a result of the current COVID-19 crisis. In an effort to prevent the spread and impact of the virus, statewide public health Stay-At-Home Orders were issued in mid-March 2020, which directed residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. These unprecedented measures left just "essential" businesses open. The closure of non-essential businesses has had a significant impact on employment, with some sectors of the workforce impacted more significantly than others.

The average annual unemployment rate in San Joaquin County was 5.9% in 2019 and remained in the 6.6% to 8.4% range during the first quarter of 2020, spiking to 17.8% in April 2020. The California Employment Development Department reported an unemployment rate of 10.6% for San Joaquin County in December 2020, compared to 8.8% for California and 6.5% for the nation. As of December 2020, it was reported 16,500 jobs (6.3%) were lost in San Joaquin County year-over-year. Of these, 500 were farm jobs. The greatest non-farm job loss was in the Leisure/Hospitality sector with 6,200 jobs lost, followed by the Government sector with 5,300 jobs lost.

The following chart indicates the percentage of total employment for each sector within the county.



Source: California Employment Development Department

As illustrated in the chart above, the area's largest employment sectors are Trade, Transportation and Utilities (which includes retail and wholesale trade); Government; and Educational and Health Services. In total, these three sectors account for approximately 62% of the total employment in the region. Agriculture was once a significant employment base but now represents a declining share of total employment, representing only 4.5% of total employment. Despite the loss of numerous jobs in agriculture, San Joaquin ranks seventh statewide in total value of leading commodities, including milk, grapes, almonds, tomatoes and walnuts. San Joaquin County is one of the top crop-producing counties in the United States.

In recent years, San Joaquin County has been shifting toward an industrial based economy. Local chambers of commerce and other agencies are actively marketing the area as an industrial location.

Several prominent national companies have relocated to San Joaquin County in recent years, such as Safeway, Oscar Meyer, Del Monte and Honda. Industrial growth is expected to continue in the future due to the availability of industrially zoned land, the relative affordability compared to the Bay Area, and the region's good transportation networks.

The San Joaquin Partnership was established in 1989 to coordinate the creation of jobs within the county and to foster cooperation rather than competition among the cities of San Joaquin County. The participating governments have made a coordinated effort to market San Joaquin County to new businesses. Since then the larger growth areas of Stockton and Tracy have established their own economic development departments to bring new business to the region.

The Stockton area has become a viable employment center, with several major office and distribution centers located in the area. These include Kellogg's, Dollar Tree, Farmington Fresh, Dorfman Pacific, ACI Distribution, Duraflame, Pac-West Telecommunications, Cost Plus and Marriott International Reservation Center. High-technology firms in Stockton include Applied Aerospace Company, Sigma Circuits and Bay Area Circuits. Several manufacturing companies have also chosen Stockton for their operations.

The following table lists the largest employers in the region.

Largest Employers

Employer	Industry	Employees
Blue Shield of California	Health Insurance	5,000-9,999
A Sambado & Son Inc.	Agriculture / Growing & Shipping	1,000-4,999
Amazon Corpnet	Internet Retail / Wholesale Trade	1,000-4,999
Amazon Fulfillment Center	Retail & Wholesale Trade / Distribution	1,000-4,999
Dameron Hospital Assn.	Healthcare	1,000-4,999
Deuel Vocational Institution	Government	1,000-4,999
Lodi Memorial Hospital	Healthcare	1,000-4,999
Lodi Memorial Hospital - Home Health	Healthcare	1,000-4,999
NA Chaderjian Youth	Government	1,000-4,999
Stockton Unified School District	Education	1,000-4,999
Pacific Coast Producers	Manufacturing	1,000-4,999
Prima Fruta Packing Inc.	Agriculture / Mfg.	1,000-4,999
Safeway Distribution Warehouse	Wholesale Trade	1,000-4,999
San Joaquin General Hospital	Healthcare	1,000-4,999
San Joaquin County SCH	Education	1,000-4,999
St. Joseph's Cancer Center	Healthcare	1,000-4,999
SJ Gov	Government/County	1,000-4,999
Leprino Foods Co.	Manufacturing	1,000-4,999

Source: County of San Joaquin, Comprehensive Annual Financial Report, June 30, 2019

Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. The U.S. Census bureau estimates a median household income of $64,432 for San Joaquin County in 2019 dollars (most recent data available from the U.S. Census Bureau), which was lower than the state of California's median income of $75,235.

Recreation & Community Facilities

San Joaquin County offers a variety of recreational activities. To the west, the San Joaquin River enters the maze of waterways and islands known as the Delta with approximately 1,000 miles of waterways, where boating and fishing activities are popular. The upper forks of the Stanislaus River offer some of the best whitewater rafting in the country. Regional parks are located throughout the valley in or near the larger cities. There are more than a dozen golf courses in the region, as well as numerous public tennis facilities, health clubs and sports fields. Stockton is home to a minor league baseball team, a symphony, ballet and opera, and hosts the nationally-recognized Asparagus Festival annually. In 2006 a new minor league hockey team, the Stockton Thunder, took up residence in the county seat as well.

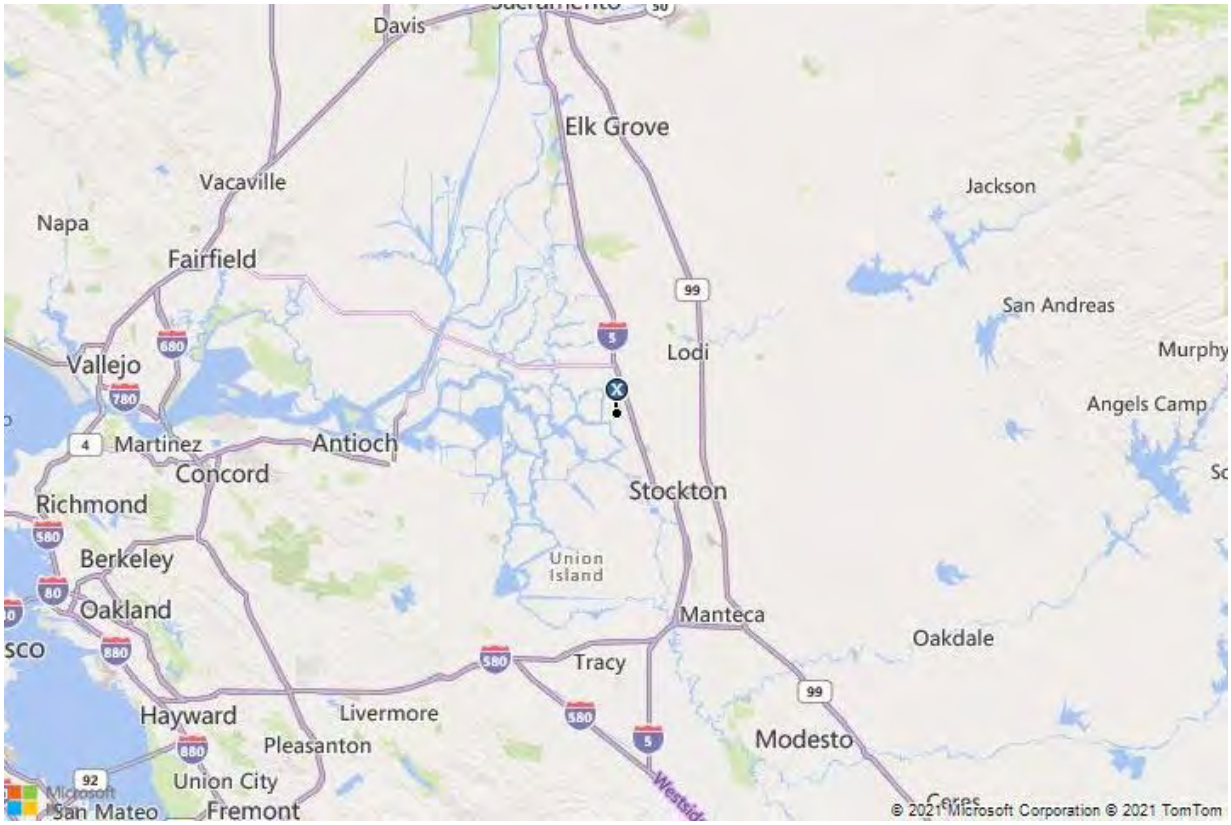
There are over 120,000 students in grades K-12 in the 17 school districts within San Joaquin County. The county has 115 elementary schools, 15 middle and 15 high schools, plus 8 continuation high schools. Both private and public schools meet higher education needs. The two-year San Joaquin Delta College in Stockton enrolls over 17,000 students, and the four-year University of the Pacific, also located in Stockton, has over 6,000 enrolled in both undergraduate and graduate programs. California State University Stanislaus-Stockton is enjoying rising enrollment and now offers an alternative to prospective college students in the county. Local private colleges include Humphreys College and School of Law, National University, Heald College - Stockton, ITT Technical Institute, St. Mary's College of California and University of Phoenix.

In terms of health care services, the county provides eight hospitals and dozens of skilled nursing facilities and convalescent hospitals.

Conclusion

San Joaquin County has a central location in the state of California and offers a good network of highway, water and rail transportation systems. Over the past decade, the county has experienced population growth, largely due to the proximity to the San Francisco Bay Area and the relative affordability of housing compared to the Bay Area and other parts of California. Like most of the state and nation, the county experienced high unemployment and real estate market declines during the period of roughly 2007-2010. Although employment conditions have been improving since 2011 and most real estate sectors were showing signs of recovery, employment conditions declined sharply in April 2020 following stay-at-home mandates and business closures, and the near-term outlook is uncertain as a result of the COVID-19 pandemic. A better understanding of the potential impacts will be gained as economic policies aimed at financial relief and resuming business operations are implemented.

Area Map


Davis
Elk Grove
Vacaville
Napa
Fairfield
Jackson
San Andreas
Vallejo
Lodi
Murphy
Angels Camp
Martinez
Antioch
Concord
Richmond
Stockton
Berkeley
Union Island
Oakland
Manteca
Oakdale
Tracy
Hayward
Livermore
Pleasanton
Modesto
Union City
San Mateo
Fremont
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Surrounding Area Analysis

Introduction

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

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 northwestern portion of the city of Stockton. Specifically, the subject is located along the south line of Eight Mile Road, west of Regatta Lane, east of Westlake Drive, and north of Fathom Lane, within the city of Stockton, San Joaquin County, California. The neighborhood is generally bound by the Stockton city limits to the west, Eight Mile Road to the north, White Slough to the south and Lower Sacramento Road to the east.

Access and Linkages

The subject property is located just west of Interstate 5, which is a major highway in the Central Valley. Interstate 5 can be accessed via Eight Mile Road, located just north of the subject. Trinity Parkway, a north-south route positioned just west of Interstate 5 and approximately ½ mile east of the subject could potentially provide a second point of access to Interstate 5. This point of access is conditioned on the proposed extension of Trinity Parkway to connect with Hammer Lane. Hammer Lane is the next offramp south of the subject. Interstate 5 is a major north-south freeway that travels to Sacramento, Redding and Yreka to the north, before continuing into Oregon, Washington and eventually Canada. To the south, Interstate 5 provides access to the metropolitan areas of Los Angeles and San Diego, before terminating at the Mexico border. Stockton is also serviced by State Highway 99, which can also be accessed via Eight Mile Road approximately eight miles east of the subject. State Highway 99 is a major north-south route in the region, providing access to Modesto, Merced, Fresno and Bakersfield to the south and the Sacramento region to the north. State Highway 99 merges with Interstate 5 to the south near the city of Bakersfield and to the north near the city of Red Bluff. Interior streets in the subject’s neighborhood consist of two to four-lane roads in average condition. In general, access to major transportation routes within the subject’s neighborhood is considered average.

Air travel is most easily achieved via the Stockton Airport, approximately 13± miles to the southeast, or the Sacramento International Airport, approximately 50± miles northwest.

The main public transit system in the Stockton area is operated by San Joaquin Regional Transit District with additional service provided by other local public and private transit operators. The Regional Transit District provides transportation services to Stockton, Lodi, Ripon, Thorton, French

Camp, Lathrop, Manteca and Tracy. They operate 36 fixed routes within the Stockton Metropolitan area and connects with other transportation agencies to services Sacramento, the Bay Area, and Dublin/Pleasanton's BART station.

Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics

2021 Estimates	1-Mile Radius	3-Mile Radius	5-Mile Radius	95219 (Stockton, CA)	San Joaquin County, CA
Population 2010	3,981	26,058	76,772	28,315	685,306
Population 2021	4,843	29,530	83,936	31,735	774,232
Population 2026	5,178	30,924	86,884	33,150	805,703
Compound % Change 2010-2021	1.8%	1.1%	0.8%	1.0%	1.1%
Compound % Change 2021-2026	1.3%	0.9%	0.7%	0.9%	0.8%
Households 2010	1,239	8,335	25,978	10,743	215,007
Households 2021	1,390	9,048	27,915	11,613	239,186
Households 2026	1,465	9,399	28,808	12,032	248,214
Compound % Change 2010-2021	1.1%	0.7%	0.7%	0.7%	1.0%
Compound % Change 2021-2026	1.1%	0.8%	0.6%	0.7%	0.7%
Median Household Income 2021	$112,964	$97,287	$82,562	$90,235	$70,497
Average Household Size	3.5	3.2	3.0	2.7	3.2
College Graduate %	33%	27%	25%	35%	18%
Median Age	35	36	37	39	35
Owner Occupied %	74%	65%	63%	61%	60%
Renter Occupied %	26%	35%	38%	39%	40%
Median Owner Occupied Housing Value	$427,561	$396,964	$383,350	$455,600	$418,849
Median Year Structure Built	2004	1999	1982	1990	1984
Average Travel Time to Work in Minutes	35	34	32	33	37

Source: Environics Analytics

As shown above, the current population within a 3-mile radius of the subject is 29,530, 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. Compared to San Joaquin County overall, the population within a 3-mile radius is projected to grow at a similar rate.

Median household income is $97,287, which is higher than the household income for San Joaquin County. Residents within a 3-mile radius have a lower level of educational attainment than those of San Joaquin County, while median owner occupied home values are considerably lower. Most proximate to the subject (1 mile radius) median household income jumps to approximately $113,000 and median owner-occupied home values are approximately $30,000 greater.

Land Uses

Land uses within the subject's surrounding area are mainly residential, with supporting commercial nearby. Immediate surrounding uses include single family residential development and public uses.

The most prominent retail development proximate to the subject is Park West Place, located at the southwest corner of Interstate 5 and Eight Mile Road. Tenants within the center includes Target, Lowe's, Sportsman's Warehouse, Kohl's, Pet Smart, Ross, Ashley HomeStore, and Joann Fabrics and Crafts. In addition to the anchor and junior anchor tenants, there are also numerous nationally recognized in-line and pad tenants. Park West Place has over 600,000 square feet of retail space. Further, there is a Walmart Supercenter located adjacent to the center and vacant land surrounding the center that could support other retail uses.

Marina Shopping Center, located along W. Benjamin Holt Drive, is an additional shopping center located to the south of the subject. This center includes a 24 Hour Fitness, Eddie's Pizza, Marina Marketplace, Premier Credit Union, McDonalds and several local tenants.

Additional commercial development is located along main thoroughfares, including, Hammer Lane, Pacific Avenue and W. March Lane.

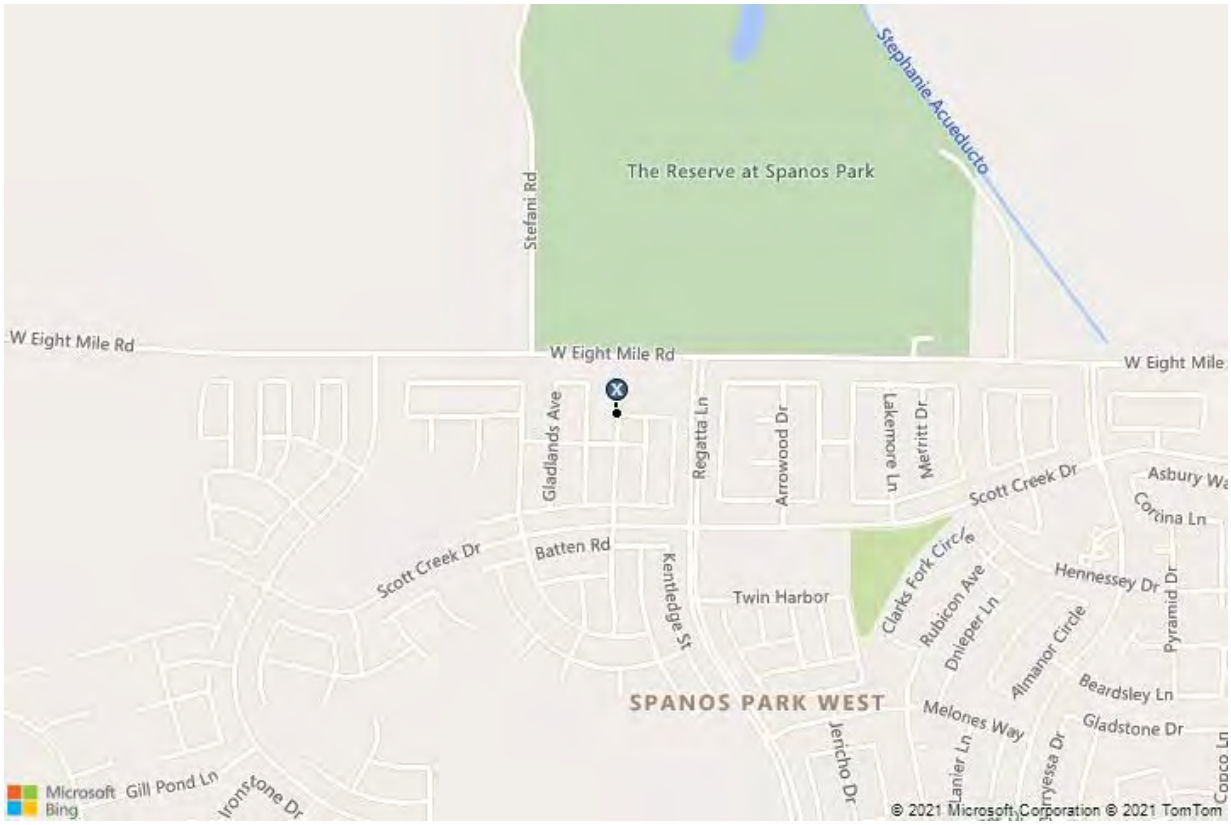
There are several community uses in the neighborhood, such as schools, hospitals, parks and recreational and cultural facilities. The CSU Stanislaus-Stockton campus is located along the east line of North California Street. The University of the Pacific (UOP), a four-year private college, is located about seven miles southeast of the subject property along Pacific Avenue. About a mile north of UOP is San Joaquin Delta College, a two-year community college. One of the closest hospitals is Sutter Health and Stockton Medical Plaza, located at the northwest corner of Hammer Lane and Don Avenue. Additionally, Kaiser Permanente is located at the southwest intersection of E. Hammer and West Lanes.

Nearby parks include Lloilo Sister City Park and Michael Faklis Park. The Reserve at Spanos Park Golf Course is located just north of the subject, on the north side of Eight Mile Road. Other notable community uses in Stockton's Downtown area includes the Stockton Events Center, which contains Weber Point Events Center, a ballpark, arena and hotel and conference center; the Memorial Auditorium, the San Joaquin County Fair Grounds, and the Stockton Metropolitan Airport.

Conclusion

The subject property is located in a newer residential area characterized mostly by residential development with clusters of office and retail development along major thoroughfares. It is noted that land uses just outside of the city limits of Stockton to the north and west of the subject are characterized by agriculture uses. The neighborhood is mostly built out, with the majority of the buildings constructed in the 2000s. The area is considered to be a middle-income neighborhood with adequate support facilities. Overall the condition and quality of the neighborhood is rated as average. The composition of residential elements and commercial related support facilities generally provides stable conditions for the area.

Surrounding Area Map



Residential Market Analysis

Given prevailing land use patterns and the subject's zoning, a likely use of the property is for residential development. In the following paragraphs, we examine supply and demand indicators for residential development in the subject's area.

Submarket Overview

The subject is located in the City of Stockton. The subject is adjacent to newer home construction and planned future development and is considered to have good transportation linkages. The neighborhood is characterized as a suburban area that appeals to both local workers and commuters. Based on existing surrounding homes and new projects under development, the subject characteristics best support a project designed for a combination of entry-level and/or first-time move-up home buyers.

Single-Family Building Permits

Single-family building permits for the city of Stockton as well as San Joaquin County totals are shown in the following table.

Building Permits

Year	City of Stockton	San Joaquin County
2007	617	2,204
2008	164	784
2009	171	724
2010	123	801
2011	127	781
2012	93	1,008
2013	96	1,072
2014	76	1,243
2015	157	1,348
2016	227	1,351
2017	261	1,664
2018	324	1,946
2019	302	1,869
2020	518	2,263
2021 (Jan)	28	149

Source: SOCDS Building Permits Database

New Home Pricing and Sales

The Gregory Group surveys active new home projects in California and Nevada. The Gregory Group also prepared a housing analysis report specifically for the subject property. Information from this report was also considered and presented in our Residential Overview. On the following page we present a table containing indicators for active single-family residential projects the subject's County

for the past three years. The data include both attached and detached projects, but the vast majority of units are detached homes.

New Home Sales History

Time Period	Average price	% Change Average Price	Average Home Size (SF)	Average Price/Avg SF	% Change Price/SF	Quarter Sold	Number of Projects	Sold Per Proj. Per Month
4Q 2017	$501,038	-	2,593	$193.23	-	368	43	2.85
1Q 2018	$519,442	3.7%	2,622	$198.11	2.5%	569	47	4.04
2Q 2018	$529,160	1.9%	2,572	$205.74	3.9%	650	55	3.94
3Q 2018	$535,414	1.2%	2,593	$206.48	0.4%	445	52	2.85
4Q 2018	$531,877	-0.7%	2,568	$207.12	0.3%	333	54	2.06
1Q 2019	$533,113	0.2%	2,551	$208.98	0.9%	584	60	3.24
2Q 2019	$545,617	2.3%	2,587	$210.91	0.9%	542	64	2.82
3Q 2019	$537,956	-1.4%	2,547	$211.21	0.1%	495	69	2.39
4Q 2019	$542,767	0.9%	2,556	$212.35	0.5%	462	64	2.41
1Q 2020	$538,130	-0.9%	2,533	$212.45	0.0%	628	71	2.95
2Q 2020	$530,151	-1.5%	2,501	$211.98	-0.2%	631	71	2.96
3Q 2020	$545,455	2.9%	2,497	$218.44	3.1%	1120	72	5.19
4Q 2020	$568,342	4.2%	2,426	$234.27	7.2%	843	61	4.61

In terms of the number of home sales in San Joaquin County, over the last 12 months, the average was 3.93 sales per month per project, which was slightly down from the average for the prior 12-month period of 2.72 sales per month per project.

Active New Home Projects Pricing and Absorption

There are 36 active projects in the market areas of Stockton, Lodi, Manteca, and Lathrop with average lot sizes between 4,000 and 7,000 square feet with no age restrictions. These projects are considered to be most competitive with the subject property given their locations and lot sizes. These projects are summarized in the tables on the following page, based on data from the Fourth Quarter of 2020.

Active Projects

Project	Master Plan	Age Restricted	Community	Developer	Average Price	Avg. Home Size (SF)	Average Price/SF	Typical Lot Size	Units Planned	Units Offered	Units Sold	Units Unsold
Arlington	-	-	Manteca	D.R. Horton	$465,125	2,291	$203.02	5,000	148	132	126	6
Avalon	-	-	Lodi	FCB Homes	$539,950	2,394	$225.54	5,500	107	28	10	18
Bella Vita	-	-	Lathrop	D.R. Horton	$450,750	1,784	$252.66	4,000	76	41	36	5
Belmont at Terra Ranch	-	-	Manteca	JKB LIving	$470,500	2,185	$215.33	6,000	19	19	19	0
Catalina	River Islands	-	Lathrop	Kiper Homes	$547,567	2,110	$259.51	4,182	72	56	56	0
Daybreak	River Islands	-	Lathrop	Pulte Homes	$619,657	3,197	$193.82	5,000	74	48	48	0
Encantada	-	-	Lodi	K. Hovnanian Homes	$517,740	2,459	$210.55	6,600	112	45	40	5
Faircrest	-	-	Manteca	Fitzpatrick Homes	$420,450	1,857	$226.41	4,050	47	46	45	1
Fox Chase	-	-	Manteca	Richmond American Homes	$591,575	2,933	$201.70	6,600	130	130	126	4
Haven	River Islands	-	Lathrop	Anthem United	$583,490	2,857	$204.23	5,400	129	94	94	0
Lavaux	-	-	Lodi	K. Hovnanian Homes	$471,090	2,120	$222.21	4,250	116	108	103	5
Montevello	-	-	Stockton	KB Home	$480,700	2,444	$196.69	5,500	276	177	174	3
Newport	River Islands	-	Lathrop	Kiper Homes	$637,900	3,065	$208.12	6,000	120	90	90	0
Northpointe	-	-	Lathrop	Richmond American Homes	$576,617	2,510	$229.73	6,000	91	50	49	1
Origin	The Collective	Yes	Manteca	Trumark Homes	$514,500	2,663	$193.20	6,500	59	25	19	6
Passport	-	-	Manteca	Raymus Homes	$471,190	2,204	$213.79	5,000	135	135	135	0
Regatta	Westlake Villages	-	Stockton	FCB Homes	$416,283	2,122	$196.17	5,035	73	73	73	0
Rosewood	Terra Ranch	-	Manteca	Century Communities	$530,847	2,358	$225.13	6,200	54	17	12	5
Seasons	Westlake Villages	-	Stockton	Richmond American Homes	$479,283	2,593	$184.84	5,225	41	25	24	1
Stanford Crossing	-	-	Lathrop	Meritage Homes	$497,950	2,257	$220.62	5,000	67	67	67	0
Sundance	-	-	Manteca	Meritage Homes	$507,460	1,889	$268.64	4,500	64	20	20	0
The Vintage	-	-	Manteca	Windward Pacific Builders	$511,150	2,320	$220.32	5,000	72	72	72	0
The Cove	Westlake Villages	-	Stockton	Caresco Homes	$464,490	2,228	$208.48	5,225	46	20	17	3
The Keys	Westlake Villages	-	Stockton	Lennar Homes	$475,590	2,427	$195.96	5,225	101	20	19	1
Turnleaf	The Collective	Yes	Manteca	Anthem United	$491,167	2,335	$210.35	5,500	84	24	17	7
Valencia	-	-	Lodi	FCB Homes	$621,623	2,557	$243.11	5,775	99	12	0	12
Venture	The Collective	Yes	Manteca	Taylor Morrison Homes	$448,000	1,841	$243.35	4,200	115	36	28	8
Villa Fiore - Magnum	-	-	Lodi	Elliott Homes	$556,450	2,441	$227.96	6,100	212	70	67	3
Villa Point	Destinations	-	Stockton	Richmond American Homes	$482,450	2,602	$185.42	5,000	122	117	113	4
Watermark	River Islands	-	Lathrop	Richmond American Homes	$551,200	2,162	$254.95	4,750	103	100	99	1
Zinnia	-	-	Manteca	Meritage Homes	$553,750	2,613	$211.92	5,500	72	70	70	0
				Minimum	$416,283	1,784	$184.84	4,000				
				Maximum	$637,900	3,197	$268.64	6,600				
				Average	$514,403	2,381	$217.86	5,284				

Aborption

Project	Builder	Avg. Home Price	Avg. Home Size	Lot Size (SF)	4Q 2020	3Q 2020	2Q 2020	1Q 2020	12-Month Total	Avg. Per Quarter	Avg. Per Month
Arlington	D.R. Horton	$465,125	2,291	5,000	19	-	-	-	19	19.0	**6.3**
Avalon	FCB Homes	$539,950	2,394	5,500	10	-	-	-	10	10.0	**3.3**
Bella Vita	D.R. Horton	$450,750	1,784	4,000	20	-	-	-	20	20.0	**6.7**
Belmont at Terra Ranch	JKB LIving	$470,500	2,185	6,000	1	4	3	6	14	3.5	**1.2**
Catalina	Kiper Homes	$547,567	2,110	4,182	20	22	14	-	56	18.7	**6.2**
Daybreak	Pulte Homes	$619,657	3,197	5,000	18	20	7	3	48	12.0	**4.0**
Encantada	K. Hovnanian Homes	$517,740	2,459	6,600	9	13	9	9	40	10.0	**3.3**
Faircrest	Fitzpatrick Homes	$420,450	1,857	4,050	13	12	1	12	38	9.5	**3.2**
Fox Chase	Richmond American Homes	$591,575	2,933	6,600	5	23	10	14	52	13.0	**4.3**
Haven	Anthem United	$583,490	2,857	5,400	21	30	6	13	70	17.5	**5.8**
Lavaux	K. Hovnanian Homes	$471,090	2,120	4,250	13	46	22	22	103	25.8	**8.6**
Montevello	KB Home	$480,700	2,444	5,500	7	26	5	17	55	13.8	**4.6**
Newport	Kiper Homes	$637,900	3,065	6,000	23	20	14	12	69	17.3	**5.8**
Northpointe	Richmond American Homes	$576,617	2,510	6,000	16	29	4	0	49	12.3	**4.1**
Origin	Trumark Homes	$514,500	2,663	6,500	9	6	1	3	19	4.8	**1.6**
Passport	Raymus Homes	$471,190	2,204	5,000	8	27	17	38	90	22.5	**7.5**
Regatta	FCB Homes	$416,283	2,122	5,035	3	31	39	0	73	18.3	**6.1**
Rosewood	Century Communities	$530,847	2,358	6,200	12	-	-	-	12	12.0	**4.0**
Seasons	Richmond American Homes	$479,283	2,593	5,225	16	8	-	-	24	12.0	**4.0**
Stanford Crossing	Meritage Homes	$497,950	2,257	5,000	3	22	42	-	67	22.3	**7.4**
Sundance	Meritage Homes	$507,460	1,889	4,500	20	-	-	-	20	20.0	**6.7**
The Vintage	Windward Pacific Builders	$511,150	2,320	5,000	38	6	-2	16	58	14.5	**4.8**
The Cove	Caresco Homes	$464,490	2,228	5,225	8	9	-	-	17	8.5	**2.8**
The Keys	Lennar Homes	$475,590	2,427	5,225	15	4	-	-	19	9.5	**3.2**
Turnleaf	Anthem United	$491,167	2,335	5,500	8	4	1	0	13	3.3	**1.1**
Valencia	FCB Homes	$621,623	2,557	5,775	0	-	-	-	0	0.0	**0.0**
Venture	Taylor Morrison Homes	$448,000	1,841	4,200	9	9	2	4	24	6.0	**2.0**
Villa Fiore - Magnum	Elliott Homes	$556,450	2,441	6,100	11	7	8	7	33	8.3	**2.8**
Villa Point	Richmond American Homes	$482,450	2,602	5,000	9	15	10	14	48	12.0	**4.0**
Watermark	Richmond American Homes	$551,200	2,162	4,750	4	35	15	4	58	14.5	**4.8**
Zinnia	Meritage Homes	$553,750	2,613	5,500	4	34	16	-	54	18.0	**6.0**
				Total	372	462	244	194			
				No. of Active Projects	31	25	22	19			
				Quarterly Pro-Rata	12.0	18.5	11.1	10.2			
				Monthly Pro-Rata	**4.0**	**6.2**	**3.7**	**3.4**			
								4.3	**Average Monthly Pro-Rata**		

In addition to projects within the Westlake Villages II master plan, which include Regatta, The Cove and The Keys, Lavaux, Montevello, and Villa Point are considered to be most similar to the subject with respect to home and lot size. In the last 4 quarters the Lavaux, Montevello, and Villa Point averaged 8.6, 4.6 and 4.0 sales per month. Further, this is supported by the Market Absorption Study prepared by The Gregory Group for the subject property. Projects considered most similar to the subject are further detailed in the following tables.

PROJECT INFORMATION

Project Name	Lavaux
Region	Central Valley
County	San Joaquin
Community	Lodi
Master Plan	No
Age Restricted	No
Project Phone	(916) 945-5421
Sales Office Hours	N/A
GPS Coordinates	N : 38.108572 W : 121.303680
Cross Street	
Finished Lots	N/A

AT A GLANCE

Average Price	$471,090	Qtr Sold	13
Average Sq Ft	2,120	Qtr WSR	1.00
Total Inventory	13	Tot WSR	2.19
Standing Inventory	0	Avg Incentives	$5,000
Open Date	02/01/20	Survey Date	1/1/21
Developer Name	K. Hovnanian Homes	Special Tax per Month	$43.00
Developer Phone		HOA per Month	$0.00
Product Type	Detached	Broker Coop	
Type Description	Traditional	Special Incentives	$0
Lot Size	4,250	Project Density	
Lot Dimension	50 x 100	Model/Trailer	N/A
Blue Top Lots	N/A		

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	1,693	$444,490	$262.55	$5,000	$439,490	$259.59	3	2	1	2	None
	1,846	$451,490	$244.58	$5,000	$446,490	$241.87	3	2.5	1	2	None
	2,202	$478,490	$217.30	$5,000	$473,490	$215.03	4	2	2	3	Loft
	2,300	$481,490	$209.34	$5,000	$476,490	$207.17	4	2.5	2	2	Den, Loft
	2,560	$499,490	$195.11	$5,000	$494,490	$193.16	5	3.5	2	2	Loft

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/20	116	108	103	13	13	8	5	20	2.19	1.00	$471,090	3.18
Qtr 3/20	116	91	90	46	26	25	1	20	2.65	3.54	$456,590	8.56
Qtr 2/20	116	46	44	22	72	70	2	20	2.10	1.69	$420,582	2.09
Qtr 1/20	116	26	22	22	94	90	4	0	2.75	1.69	$411,990	0.00

PROJECT INFORMATION

Project Name	Montevello
Region	Central Valley
County	San Joaquin
Community	Stockton
Master Plan	No
Age Restricted	No
Project Phone	(209) 242-2985
Sales Office Hours	Wed 2 - 5, Thurs - Tues 10 - 5
GPS Coordinates	N : 38.043244 W : 121.272289
Cross Street	
Finished Lots	N/A

AT A GLANCE

Average Price	$480,700	Qtr Sold	7
Average Sq Ft	2,444	Qtr WSR	0.54
Total Inventory	102	Tot WSR	1.19
Standing Inventory	0	Avg Incentives	$5,000
Open Date	03/15/18	Survey Date	1/1/21
Developer Name	KB Home	Special Tax per Month	$133.00
Developer Phone	(800) 573-7838	HOA per Month	$0.00
Product Type	Detached	Broker Coop	3.0%
Type Description	Traditional	Special Incentives	$0
Lot Size	5,500	Project Density	
Lot Dimension		Model/Trailer	Model
Blue Top Lots	N/A		

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	1,925	$445,500	$231.43	$5,000	$440,500	$228.83	3	2	1	2	None
	2,188	$465,500	$212.75	$5,000	$460,500	$210.47	3	2	1	2	Den
	2,376	$473,500	$199.28	$5,000	$468,500	$197.18	3	2.5	2	2	Den, Loft
	2,674	$491,500	$183.81	$5,000	$486,500	$181.94	4	2.5	2	2	Den, Loft
	3,061	$527,500	$172.33	$5,000	$522,500	$170.70	5	3	2	2	Den, Bonus

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/20	276	177	174	7	102	99	3	15	1.19	0.54	$480,700	2.04
Qtr 3/20	170	170	167	26	3	0	3	15	1.26	2.00	$471,100	6.75
Qtr 2/20	154	149	141	5	13	5	8	25	1.18	0.38	$441,300	2.53
Qtr 1/20	154	140	136	17	18	14	4	5	1.28	1.31	$430,400	1.22
Qtr 4/19	154	119	119	21	35	35	0	20	1.28	1.62	$425,200	- 1.16
Qtr 3/19	122	100	98	1	24	22	2	45	1.23	0.08	$430,200	4.24
Qtr 2/19	122	100	97	22	25	22	3	30	1.45	1.69	$412,720	3.75
Qtr 1/19	122	80	75	26	47	42	5	25	1.39	2.00	$397,800	- 4.94
Qtr 4/18	122	58	49	2	73	64	9	7	1.20	0.15	$418,466	- 2.43
Qtr 3/18	122	61	47	14	75	61	14	15	1.68	1.08	$428,900	1.88
Qtr 2/18	122	51	33	15	89	71	18	12	2.20	1.15	$421,000	- 0.45
Qtr 1/18	122	35	18	18	104	87	17	20	9.00	1.38	$422,900	0.00

PROJECT INFORMATION

Project Name	Villa Point
Region	Central Valley
County	San Joaquin
Community	Stockton
Master Plan	Destinations
Age Restricted	No
Project Phone	(209) 207-0479
Sales Office Hours	Daily 10 - 5
GPS Coordinates	N : 38.055297 W : 121.321440
Cross Street	
Finished Lots	N/A

AT A GLANCE

Average Price	$482,450	Qtr Sold	9
Average Sq Ft	2,602	Qtr WSR	0.69
Total Inventory	9	Tot WSR	0.78
Standing Inventory	2	Avg Incentives	$14,473
Open Date	03/24/18	Survey Date	1/1/21
Developer Name	Richmond American Homes	Special Tax per Month	$0.00
Developer Phone	(800) 420-7020	HOA per Month	$99.00
Product Type	Detached	Broker Coop	3.0%
Type Description	Traditional	Special Incentives	$0
Lot Size	5,000	Project Density	
Lot Dimension	50 x 100	Model/Trailer	Model
Blue Top Lots	N/A		

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	2,050	$447,950	$218.51	$13,438	$434,512	$211.96	3	2.5	1	2	Den, Loft
	2,540	$476,950	$187.78	$14,308	$462,642	$182.14	3	2.5	2	3	Loft
	2,790	$494,950	$177.40	$14,848	$480,102	$172.08	3	2.5	2	2	Den, Loft
	3,030	$509,950	$168.30	$15,298	$494,652	$163.25	4	2.5	2	3	Den, Loft

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/20	122	117	113	9	9	5	4	15	0.78	0.69	$482,450	1.69
Qtr 3/20	122	108	104	15	18	14	4	15	0.79	1.15	$474,450	7.48
Qtr 2/20	122	96	89	10	33	26	7	15	0.75	0.77	$441,450	0.00
Qtr 1/20	122	84	79	14	43	38	5	15	0.75	1.08	$441,450	2.44
Qtr 4/19	122	73	65	5	57	49	8	15	0.71	0.38	$430,950	- 1.37
Qtr 3/19	122	65	60	19	62	57	5	15	0.76	1.46	$436,950	1.16
Qtr 2/19	122	50	41	7	81	72	9	15	0.62	0.54	$431,950	- 0.29
Qtr 1/19	122	41	34	11	88	81	7	15	0.64	0.85	$433,200	0.00
Qtr 4/18	122	32	23	5	99	90	9	23	0.58	0.38	$433,200	0.00
Qtr 3/18	122	28	18	8	104	94	10	45	0.67	0.62	$433,200	- 0.29
Qtr 2/18	122	15	10	10	112	107	5	45	0.71	0.77	$434,450	6.41
Qtr 1/18	122	4	0	0	122	118	4	65	0.00	0.00	$408,283	0.00

PROJECT INFORMATION

Project Name	Regatta
Region	Central Valley
County	San Joaquin
Community	Stockton
Master Plan	Westlake Villages
Age Restricted	No
Project Phone	(209) 451-0141
Sales Office Hours	N/A
GPS Coordinates	N : 38.054797 W : 121.395615
Cross Street	
Finished Lots	N/A

AT A GLANCE

Average Price	$416,283	Qtr Sold	3
Average Sq Ft	2,122	Qtr WSR	0.23
Total Inventory	0	Tot WSR	1.62
Standing Inventory	0	Avg Incentives	$4,162
Open Date	02/21/20	Survey Date	1/1/21
Developer Name	FCB Homes	Special Tax per Month	$173.00
Developer Phone		HOA per Month	$120.00
Product Type	Detached	Broker Coop	0
Type Description	Traditional	Special Incentives	$0
Lot Size	5,035	Project Density	
Lot Dimension	53 x 95	Model/Trailer	Model
Blue Top Lots	N/A		

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	1,893	$392,950	$207.58	$3,929	$389,021	$205.51	3	2	1	2	None
	1,990	$412,950	$207.51	$4,129	$408,821	$205.44	4	2	1	2	None
	2,483	$442,950	$178.39	$4,429	$438,521	$176.61	4	3	2	2	Loft

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/20	73	73	73	3	0	0	0	0	1.62	0.23	$416,283	0.00
Qtr 3/20	73	73	70	31	3	0	3	90	2.26	2.38	$416,283	0.00
Qtr 2/20	73	54	39	39	34	19	15	93	2.17	3.00	$416,283	2.88
Qtr 1/20	73	30	0	0	73	43	30	0	0.00	0.00	$404,617	0.00

PROJECT INFORMATION

Project Name	The Cove
Region	Central Valley
County	San Joaquin
Community	Stockton
Master Plan	Westlake Villages
Age Restricted	No
Project Phone	(209) 616-3222
Sales Office Hours	N/A
GPS Coordinates	N : 38.056667 W : 121.396944
Cross Street	
Finished Lots	N/A

AT A GLANCE

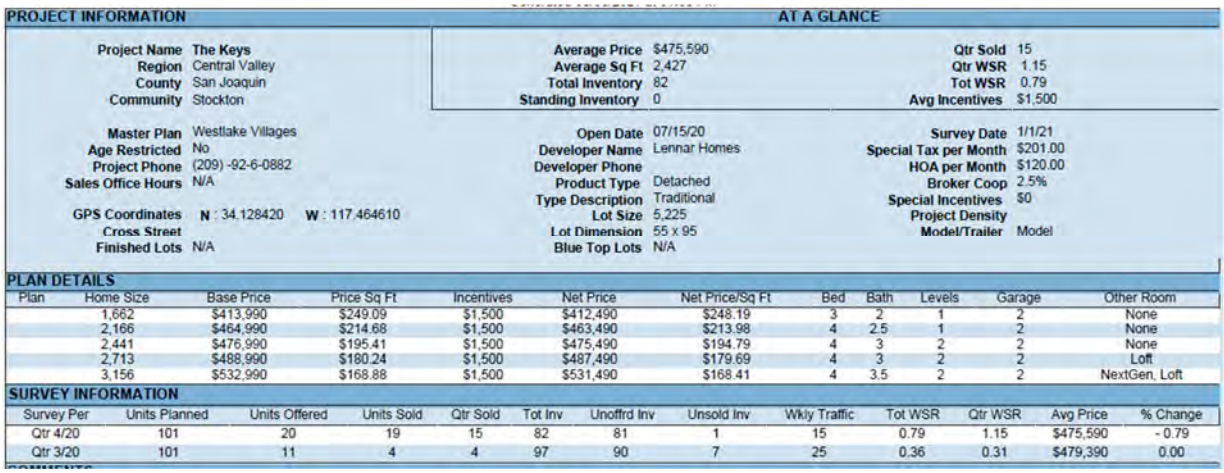
Average Price	$464,490	Qtr Sold	8
Average Sq Ft	2,228	Qtr WSR	0.62
Total Inventory	29	Tot WSR	0.89
Standing Inventory	0	Avg Incentives	$0
Open Date	08/15/20	Survey Date	1/1/21
Developer Name	Caresco Homes	Special Tax per Month	$189.00
Developer Phone		HOA per Month	$120.00
Product Type	Detached	Broker Coop	2.5%
Type Description	Traditional	Special Incentives	$0
Lot Size	5,225	Project Density	
Lot Dimension	55 x 95	Model/Trailer	Model
Blue Top Lots	N/A		

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	1,838	$426,990	$232.31	$0	$426,990	$232.31	3	2	1	2	None
	2,108	$457,990	$217.26	$0	$457,990	$217.26	4	2	1	2	None
	2,309	$471,990	$204.41	$0	$471,990	$204.41	4	3	2	3	None
	2,660	$500,990	$188.34	$0	$500,990	$188.34	5	3	2	2	Bonus

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/20	46	20	17	8	29	26	3	25	0.89	0.62	$464,490	4.38
Qtr 3/20	46	16	9	9	37	30	7	25	1.50	0.69	$444,990	0.00



PROJECT INFORMATION

Project Name	The Keys				
Region	Central Valley				
County	San Joaquin				
Community	Stockton				
Master Plan	Westlake Villages				
Age Restricted	No				
Project Phone	(209) -92-6-0882				
Sales Office Hours	N/A				
GPS Coordinates	N : 34.128420	W : 117.464610			
Cross Street					
Finished Lots	N/A				

AT A GLANCE

Average Price	$475,590			Qtr Sold	15
Average Sq Ft	2,427			Qtr WSR	1.15
Total Inventory	82			Tot WSR	0.79
Standing Inventory	0			Avg Incentives	$1,500
Open Date	07/15/20			Survey Date	1/1/21
Developer Name	Lennar Homes			Special Tax per Month	$201.00
Developer Phone				HOA per Month	$120.00
Product Type	Detached			Broker Coop	2.5%
Type Description	Traditional			Special Incentives	$0
Lot Size	5,225			Project Density	
Lot Dimension	55 x 95			Model/Trailer	Model
Blue Top Lots	N/A				

PLAN DETAILS

Plan	Home Size	Base Price	Price Sq Ft	Incentives	Net Price	Net Price/Sq Ft	Bed	Bath	Levels	Garage	Other Room
	1,662	$413,990	$249.09	$1,500	$412,490	$248.19	3	2	1	2	None
	2,166	$464,990	$214.68	$1,500	$463,490	$213.98	4	2.5	1	2	None
	2,441	$476,990	$195.41	$1,500	$475,490	$194.79	4	3	2	2	None
	2,713	$488,990	$180.24	$1,500	$487,490	$179.69	4	3	2	2	Loft
	3,156	$532,990	$168.88	$1,500	$531,490	$168.41	4	3.5	2	2	NextGen, Loft

SURVEY INFORMATION

Survey Per	Units Planned	Units Offered	Units Sold	Qtr Sold	Tot Inv	Unoffrd Inv	Unsold Inv	Wkly Traffic	Tot WSR	Qtr WSR	Avg Price	% Change
Qtr 4/20	101	20	19	15	82	81	1	15	0.79	1.15	$475,590	- 0.79
Qtr 3/20	101	11	4	4	97	90	7	25	0.36	0.31	$479,390	0.00

Resale Pricing

The following table shows historical resale data for more recently built homes (2008 and newer) in a five mile radius of the subject. We restricted our search to lot sizes between 3,000 and 7,000 square feet.

Resales

Address	Sale Date	Living Area (SF)	Sale Price	Last List Price	Sale Price /SF	Sale/List	Year Built	Days on Market	Lot Size
10413 Arianne Dr	Pending	1,843	$419,900	$419,900	$228	100.00%	2013	22	6,403
10614 Christopher Ct	Pending	2,000	$419,900	$419,900	$210	100.00%	2010	7	5,401
442 Scooter Way	6/3/2020	1,545	$345,000	$360,000	$223	95.83%	2013	65	5,502
12 Vicenza Dr	6/2/2020	2,229	$440,000	$439,000	$197	100.23%	2018	39	4,879
623 Chagall Ln	5/27/2020	2,554	$505,000	$529,000	$198	95.46%	2018	28	5,001
10129 Kaycee Ln	3/24/2020	1,957	$440,000	$440,000	$225	100.00%	2015	10	6,299
5919 Montauk Way	3/13/2020	2,543	$440,000	$440,000	$173	100.00%	2008	7	5,567
10552 Cherise Way	3/5/2020	3,075	$470,000	$469,900	$153	100.02%	2014	20	6,460
10516 Cherise Way	3/4/2020	3,075	$480,000	$484,999	$156	98.97%	2013	118	6,116
166 N Villa Point Dr	3/4/2020	1,957	$450,000	$459,900	$230	97.85%	2017	14	6,926
428 Gianna Way	2/11/2020	1,646	$387,000	$375,000	$235	103.20%	2012	4	5,101
10558 Seahorn Dr	1/24/2020	2,010	$392,000	$387,950	$195	101.04%	2008	3	4,208
10440 Walter Way	1/7/2020	1,843	$385,000	$385,000	$209	100.00%	2013	20	5,985
589 Chagall Ln	12/26/2019	2,050	$424,950	$424,950	$207	100.00%	2019	15	5,232
10611 Christopher Ct	12/17/2019	1,719	$390,000	$389,000	$227	100.26%	2010	4	5,201
5928 Poppy Shores Way	12/11/2019	2,141	$400,000	$400,000	$187	100.00%	2010	43	3,598
5973 Melones Way	11/25/2019	1,813	$390,000	$390,000	$215	100.00%	2009	13	4,574
10504 Gianna Court	11/18/2019	1,360	$350,000	$349,999	$257	100.00%	2014	20	5,050
10440 Ian Ct	10/29/2019	2,555	$439,000	$450,000	$172	97.56%	2015	56	5,401
1546 Little Grass Way	10/18/2019	2,646	$469,000	$469,000	$177	100.00%	2015	5	6,752
10137 Kaycee Ln	9/24/2019	1,769	$392,000	$399,900	$222	98.02%	2014	13	6,299
326 Villa Point Dr	9/17/2019	1,957	$435,000	$429,500	$222	101.28%	2017	9	7,000
10621 Abigail Ct	9/11/2019	1,360	$347,500	$360,000	$256	96.53%	2015	27	5,301
Total Sales	**23**	**2,072 (avg.)**	**$417,880 (avg.)**	**$420,561 (avg.)**	**$208 (avg.)**	**99.40% (avg.)**	**2013 (avg.)**	**24 (avg.)**	**5,576 (avg.)**

Ability to Pay

The homebuilders within the subject property are constructing homes that range in size from 1,662 to 3,156 square feet, with prices ranging from $445,990 to $578,950. In this section, we will examine the ability to pay among prospective buyers for a representative price point of $450,000, based on the indicators from the competing projects. First, we will estimate the required annual household income based on typical mortgage parameters in the subject's market area. Specifically, we will employ a loan-to-value ratio of 80% (down payment of 20%), mortgage interest rate of 3.00%, 360 monthly payments, and a 35% ratio for the housing costs as a percent of monthly income (inclusive of principal, interest, all taxes and insurance). Property tax payments are accounted for in the analysis as well as homeowner's insurance. The direct charges excluding the special tax lien for CFD No. 2018-2 (Westlake Villages II) are estimated at $224.19, per year. The following table shows the estimate of the annual household income that would be required to afford homes priced at the representative price point.

Income Required				
Home Price	$450,000			
Loan % of Price (Loan to Value)	80%			
Loan Amount	$360,000			
Interest Rate	3.00%			
Mortgage Payment	$1,518			
Property Taxes	$450	Based on	1.1497%	and $224.19 in direct charges
CFD No. 2018-2 - Special Tax A	$128			
CFD No. 2018-2 - Special Tax B	$45			
Bond Payment (CFD Special Taxes)	$108			
Property Insurance	$75			
Total Monthly Obligation	$2,324			
Mortgage Payment % of Income	40%			
Monthly Income	$5,810			
Annual Income	$69,715			

We have obtained income data from Esri Business Analyst Online (Esri), formerly STDB Online, for a five mile radius surrounding the subject property, which is considered representative of typical buyers for the subject property. In the following table we show the income brackets within the noted area, along with estimates of the percentage of households able to afford homes priced at the representative price point within each income bracket.

Household Ability

Household Income	Households	Percent of Households	Percent Able to Pay	Households	Households Able to Pay
< $15,000	2,143	7.9%	0.0%	0	0.0%
$15,000 - $24,999	1,559	5.7%	0.0%	0	0.0%
$25,000 - $34,999	1,880	6.9%	0.0%	0	0.0%
$35,000 - $49,999	2,859	10.5%	0.0%	0	0.0%
$50,000 - $74,999	4,324	15.9%	78.9%	3,410	12.5%
$75,000 - $99,999	3,529	13.0%	100.0%	3,529	13.0%
$100,000 - $124,999	2,983	11.0%	100.0%	2,983	11.0%
$125,000 - $149,999	2,291	8.4%	100.0%	2,291	8.4%
$150,000 - $199,999	2,585	9.5%	100.0%	2,585	9.5%
$200,000 - $249,999	1,337	4.9%	100.0%	1,337	4.9%
$250,000 - $499,999	1,222	4.5%	100.0%	1,222	4.5%
$500,000+	501	1.8%	100.0%	501	1.8%
	27,213	100.0%		17,858	65.6%

Conclusions

Demand for homes in the subject's market area is considered to be thriving at the current time as indicated by the overall trend of building permit activity, new home sales prices and activity in recent quarters, as well as the absorption rate within new home projects in the subject's area.

COVID-19 Impact on Current Valuations

In response to limited ICU capacity across the state, Governor Newsom introduced a statewide Stay at Home order on December 5, 2020 that resulted in businesses deemed as nonessential by the State of California to once again close, with strict limitations for businesses that remained opened. As of Monday, January 25, 2021, Governor Newsom lifted the State of California's Stay At Home order which is a significant step in reopening California's economy and overall response to the COVID-19 pandemic. California has reverted to the previously established color tiered system as each county was moved back to the Purple Tier (Widespread). Under the Purple Tier, many sectors are allowed to resume and/or continue modified operations in conjuncture with state mandated social distancing, masking when applicable, and increased surface sanitization.

Based on discussions and interviews with a wide range of market participants, a variety of factors and concerns are prevalent in the market that will likely have a negative impact broadly on CRE values, depending on property type and region. Transaction indicators are the best measure of any impact on values due to COVID-19. Given the unique nature and recency of this event, minimal activity is evident from which to draw benchmark comparisons based on transactional data. In the absence of transaction data, there is empirical data in the market that can be gleaned and assist in estimating the valuation metrics and assessing their reliability in estimating current value. In the current phase of the pandemic, emerging trends include:

- Market confidence (fundamental economic fear)
- Expectations of impaired property/operating performance
- Re-pricing risk (debt and equity)
- Liquidity duration
- Impaired market and pricing activity

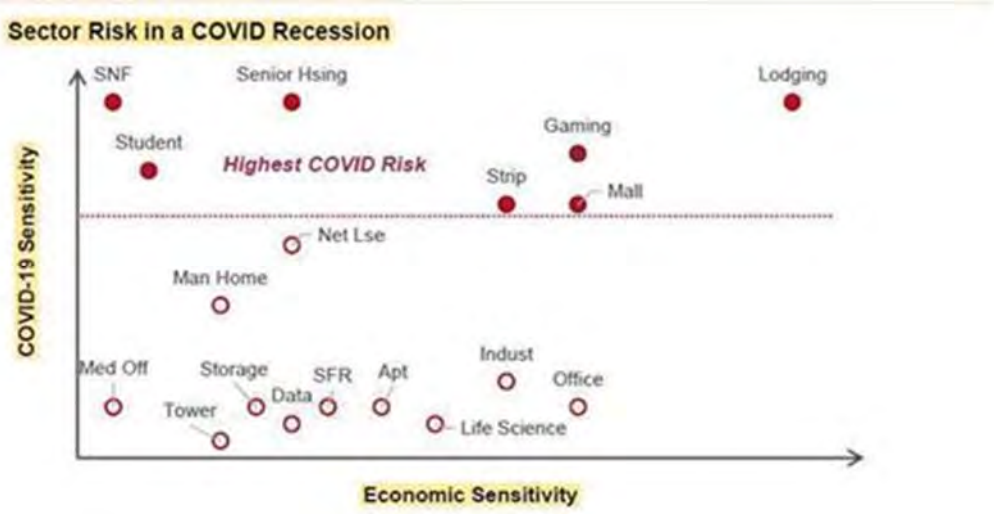
All or some of the above may be shorter-term issues, but others may linger and have a lasting impact on valuations in the CRE sector along a continuum of time. Our surveys of market participants indicate a focus in the following areas impacting value:

- Impact will vary by property type, class, and location
- Cost of capital (both debt and equity) is increasing but at different rates for different asset classes
- Declines in property operations/forecasts (NOI) vary in duration based on property type, class and location
- Capitalization rate premiums vary by property type, class and location
- Marketing times for most assets will increase

Impact by Property Type, Class & Location

Below is a graph prepared by Greenstreet Advisors plotting the sensitivity (and risk) associated with various property types with the negative impact on value being greater for those assets with greater

sensitivity. Those assets relating to essential business operations (grocery, medical, distribution) are less affected than for example lodging and malls where social distancing is more difficult.



Cost of Capital/Liquidity

The cost of capital, both for debt and equity, had been at near historic lows pre crisis. Borrowers had a myriad of options from a variety of capital sources. As the crisis began to unfold in early 2020, treasury rates were moving down as the Fed sought to keep the market liquid. When it became clear the global crisis had landed in the United States, the Fed moved rates to near zero. Many lending institutions instituted floors (spreads widened) because the fixed costs of doing a deal had to be covered.

As lenders are coming to grips with the severity of the economic outlook, many have pulled back from the market altogether while others reacted by raising interest rates, lowering loan to values, or a combination of both. There are clearly some lenders who are “out” while others remain in the market. There are fewer options in the market and those options are more expensive today than 30 days ago. The rise in cost varies notably by property type with agency lenders and HUD determined to provide liquidity to the multi-family market while at the other end of the spectrum, financing a hotel is challenging. Assets focused on essential business operations (e.g., grocery or last mile industrial) remain in favor as do net leased assets with recession-resistant business profiles.

Declines in Property Operations/Forecasts

The lodging, retail, student housing and senior sectors are expecting to suffer the greatest. Once again, this varies by location and type. Restaurant retail is generally viewed as having high risk but is expected to rebound quickly as pent-up demand explodes when social distancing requirements loosen. Grocery retail is performing well with big box stores setting record sales per square foot. Apartments should fare well but once again, varying by type and location depending on the tenant base employment and its ability to weather the crisis. Industrial distribution facilities are expected to perform well while multi-tenant industrial with non-essential businesses may struggle.

There is an expectation in the market that, for many retail centers in particular, tenants will not be paying rent. Without customers, particularly in states with stay-at-home orders, there simply is no revenue available. Tenants and owners alike are reviewing force majeure clauses in their leases.

Rent projections are being held flat in modeling many cash flows going forward with the length of time dependent on the asset type.

Market Segmentation Analysis – Single-Family Residential Development

To assess the current sentiment of market participants, we have completed a market survey of land developers, merchant builders, land brokers and developer consultants throughout California participating in ongoing residential developments.

Conversations with market during the early months after the announcement of the declared pandemic included an array of responses, but the overall sentiment was the impacts of the COVID-19 pandemic is an interruption in "business as usual," as many municipalities statewide developed varying restrictions on development.

Interviews with merchant builders with new home communities marketed towards entry-level homebuyers reported initially the interruption in sales pace was limited. Early on there were instances of cancellations. However, overall closing activity remained at levels similar to the pace of sales prior to the pandemic. This was in large part due to the Builders' ability to market new home communities from an on-line platform and "by appointment only". Conversely, new home communities with product lines targeting move-up homebuyers initially reported more disruption. Currently Builders targeting the full array of new homebuyers (entry level to move-up homes) report robust sales, in terms of pricing and pace. Several Builders report that they are regulating pace of sales in an effort to manage buyer expectations (problems delivering homes above a pace of 4-units per month). This also enables them to escalate pricing upon each new phase release, maximizing profits.

With respect to developable residential land, in the midst of some stagnation in the global and national economy many segments of the commercial market, several builders remain focused on their supply of buildable residential lots over the next 12 to 36 months. Thus, recent evidence demonstrates ongoing interest in a future supply of single-family residential lots in primary market areas, with sales occurring, post COVID-19 pandemic, at price points commensurate with pre-pandemic prices.

Property Analysis

Land Description and Analysis

Location

The subject is located in the northwestern portion of the city of Stockton. Specifically, the subject is located south of Eight Mile Road, west of Regatta lane, east of Westlake Drive, and north of Fathom Lane, within the city of Stockton, San Joaquin County, California.

Owners of Record

The table below summarizes the owners of record with the corresponding number of lots held within the boundaries of CFD No. 2018-2 (Westlake Villages II).

Owners of Record

Owners of Record	Village	Vacant Finished Lots	Homes Under Construction	Completed Homes	Total
Richmond American Homes	C1	4	35	2	41
Caresco Homes	C1	20	18	2	40
Lennar Homes	C2	54	29	5	88
DR Horton	F	41	31	-	72
EMDI*	F	44	-	-	44
Individual Homeowners	C1/C2/D/F	-	-	92	92
Total		163	113	101	377

*Master Developer

Topography

The site is generally level and at street grade. The topography does not result in any particular development limitations.

Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

Flood Hazard Status

The following table provides flood hazard information.

Flood Hazard Status	
Community Panel Number	06077C-0295F
Date	October 16, 2009
Zone	X (Shaded)
Description	Within 500-year floodplain
Insurance Required?	No

Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

Ground Stability

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 the existing improvements.

Utilities

The availability of utilities to the subject is summarized in the following table.

Utilities	
Service	Provider
Water	City of Stockton
Sewer	City of Stockton
Electricity	PG&E
Natural Gas	PG&E
Local Phone	Various

Zoning

The subject is zoned MX, Mixed Use, by City of Stockton Planning Department. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

Zoning Summary	
Zoning Jurisdiction	City of Stockton Planning Department
Zoning Designation	MX
Description	Mixed Use
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	The MX zoning district is intended to apply to large properties of at least 100 acres that can accommodate a wide range of land uses. A master development plan is required for each MX zoning district to identify specific allowable land uses and development regulations. The MX zoning district is consistent with the mixed use designation of the General Plan

The master development plan designates the subject as residential land with varying densities. The density of each village is shown below.

Village C – 4.6 to 6.0 units/acre
Village D – 6.1 to 8.0 units/acre
Village F – 4.6 to 6.0 units/acre

According to the City of Stockton Planning Department, there are no pending or prospective zoning changes. It appears that the current use of the site is a legally conforming use. We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required.

Entitlements

The subject has entitlements in place for development of up to 377 residential units. It is noted that Villages C and F of the subject property are a part of phase 1 of the Westlake at Spanos Park West Master Development Plan, while Village D is a part of phase 5. Phase 5 is being developed first followed by Phases 1 through 4 in numerical order.

Other Land Use Regulations

We are not aware of any other land use regulations that would affect the property.

Easements, Encroachments and Restrictions

We were not provided a current title report to review. We are not aware of any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

Permits and Fees

The subject's permits and fees pertaining to home construction costs are generally similar to competing projects located throughout the market area. These figures include the aforementioned in lieu fees, building permit fees, and development agreement fees. It is noted that inclusive in the estimates of permits and fees is the Lodi Unified School District Fee which equates to four dollars per square foot of the home. Based on the information provided by the master developer, the subject's

permits and fees are estimated at $40,000 for the subject properties. This figure is consistent with surrounding developments.

Off-site Improvements

Offsite improvements, which include primary access roads and curb, gutters, sidewalks and street lights, are in place for the subject's lots, homes under construction, and completed homes.

It is a hypothetical condition of the Appraisal that certain proceeds from the CFD No. 2018-2 (Westlake Villages II) Special Tax Bonds, Series 2021 are available to reimburse for infrastructure improvements completed.

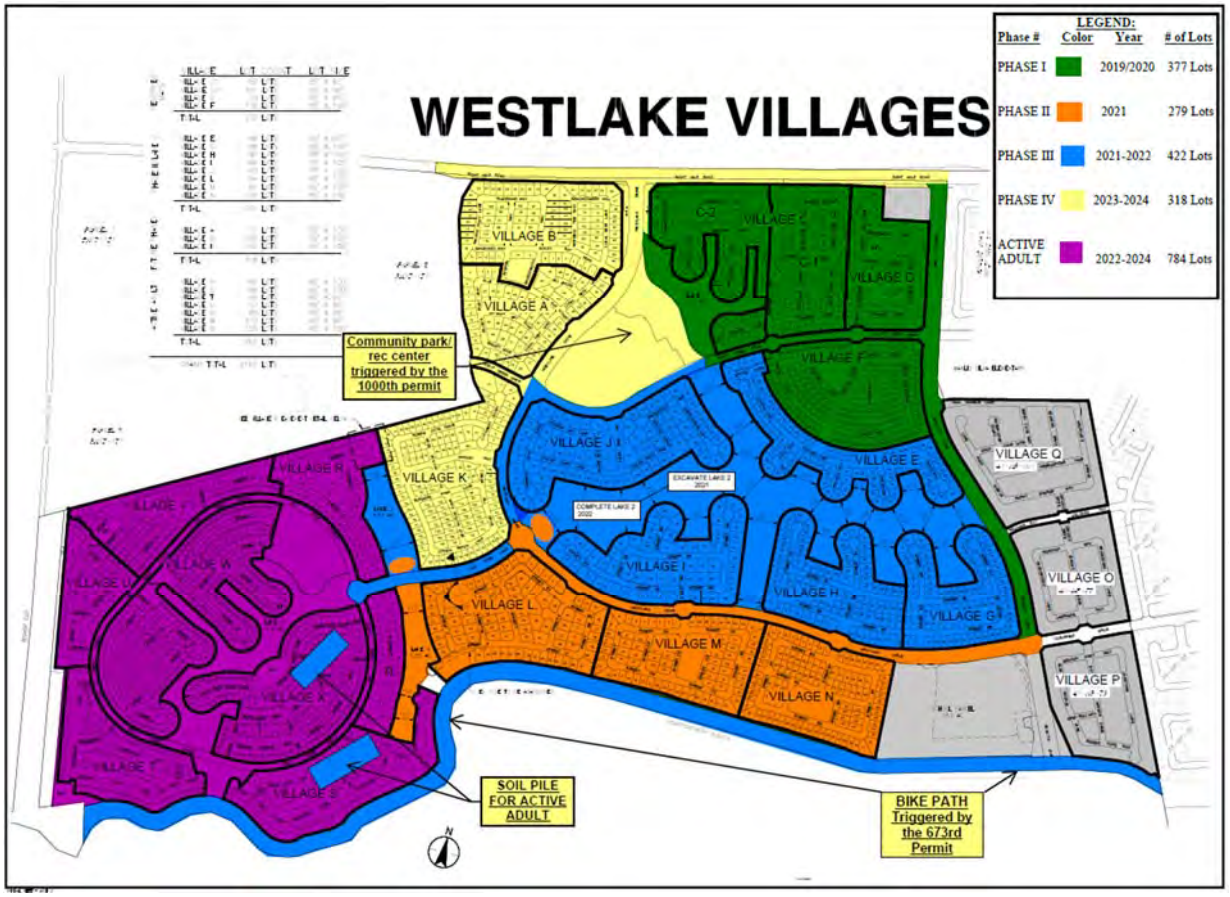
Site Development Costs

The subject consists of essentially finished lots. The master developer noted there is $50,000 in remaining site development associated with the landscaping along Scott Creek Drive. This amount, when considered on a project wide basis equates to $133 per lot ($50,000 / 377). This nominal amount for remaining site development costs is considered in our value estimate rounding.

Conclusion of Site Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. Uses permitted by zoning include residential subdivision development. We are not aware of any other particular restrictions on development.

Site Plan


WESTLAKE VILLAGES
LEGEND:
Phase # Color Year # of Lots
PHASE I 2019/2020 377 Lots
PHASE II 2021 279 Lots
PHASE III 2021-2022 422 Lots
PHASE IV 2023-2024 318 Lots
ACTIVE ADULT 2022-2024 784 Lots
Community park/ rec center triggered by the 1000th permit
SOIL PILE FOR ACTIVE ADULT
BIKE PATH Triggered by the 673rd Permit
VILLAGE A
VILLAGE B
VILLAGE C
VILLAGE D
VILLAGE E
VILLAGE F
VILLAGE G
VILLAGE H
VILLAGE I
VILLAGE J
VILLAGE K
VILLAGE L
VILLAGE M
VILLAGE N
VILLAGE O
VILLAGE P
VILLAGE Q
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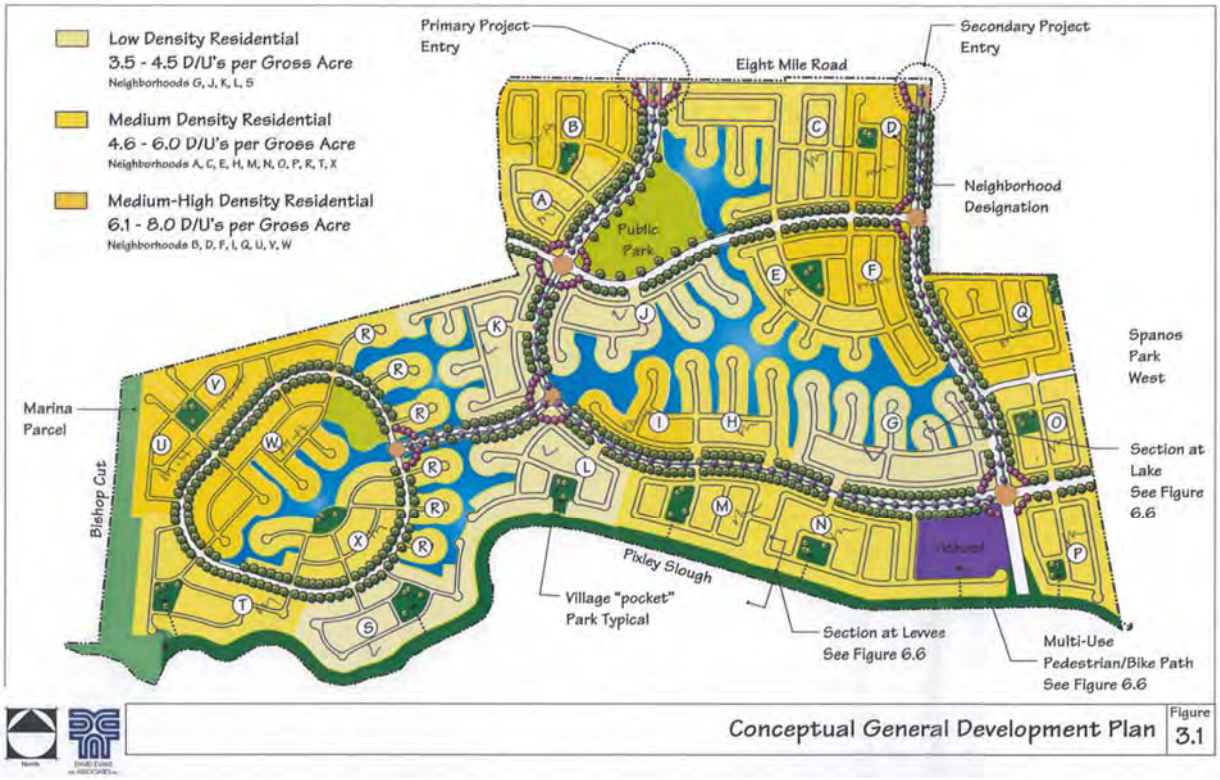
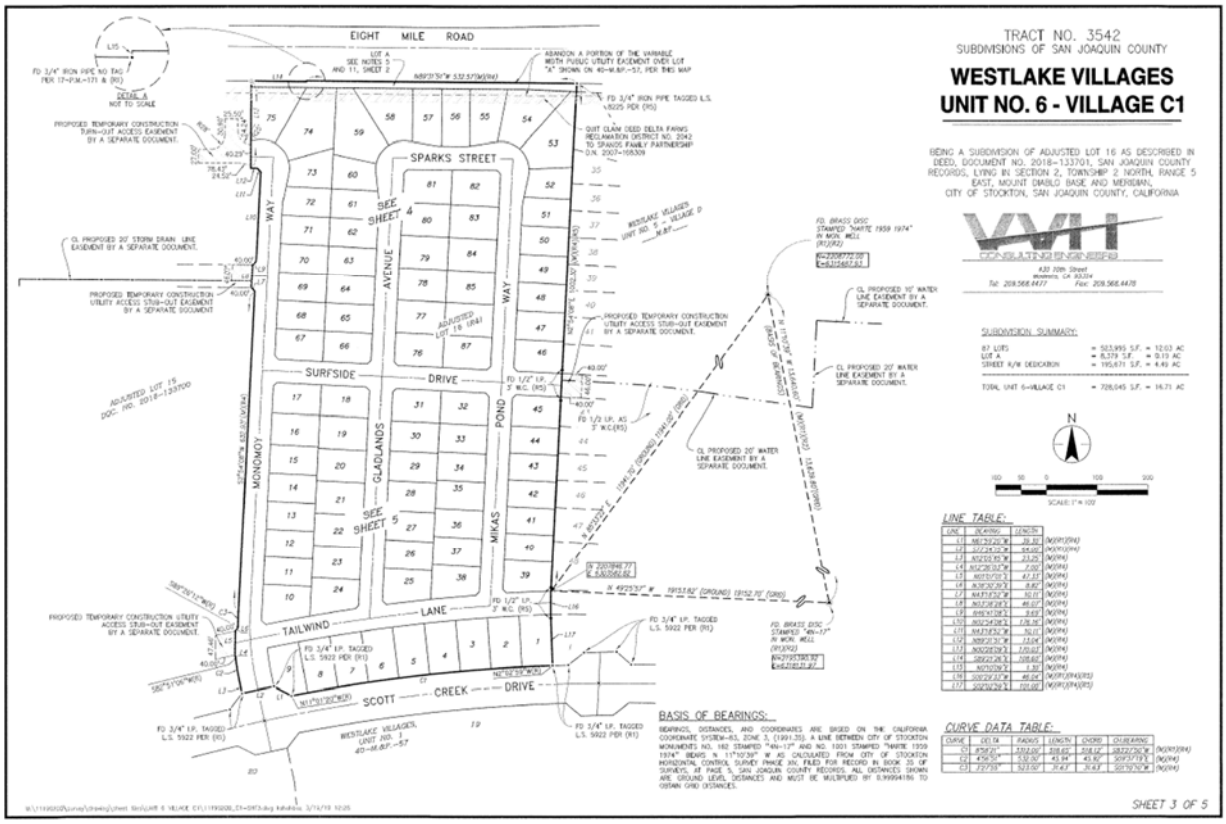
VILLAGE S
VILLAGE T
VILLAGE U
VILLAGE V
VILLAGE W
VILLAGE X

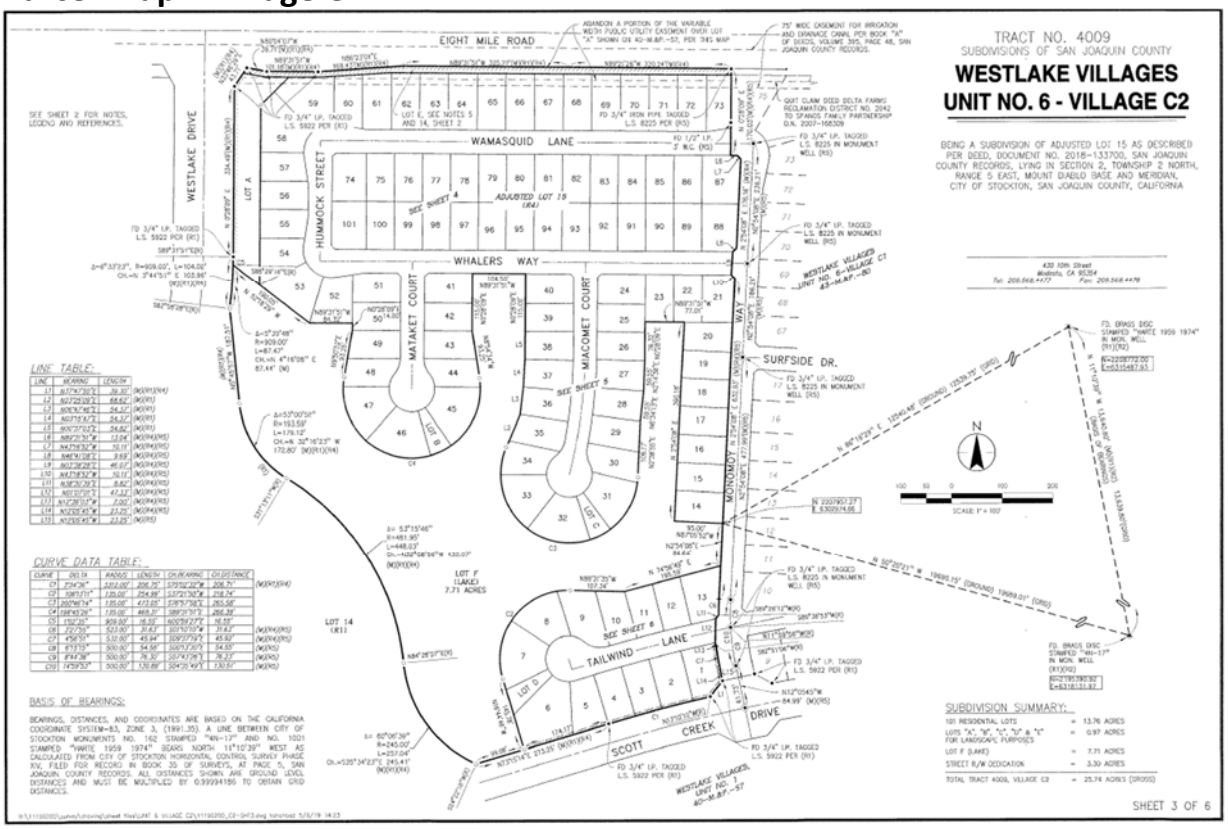
Development Plan



Parcel Map – Village C1

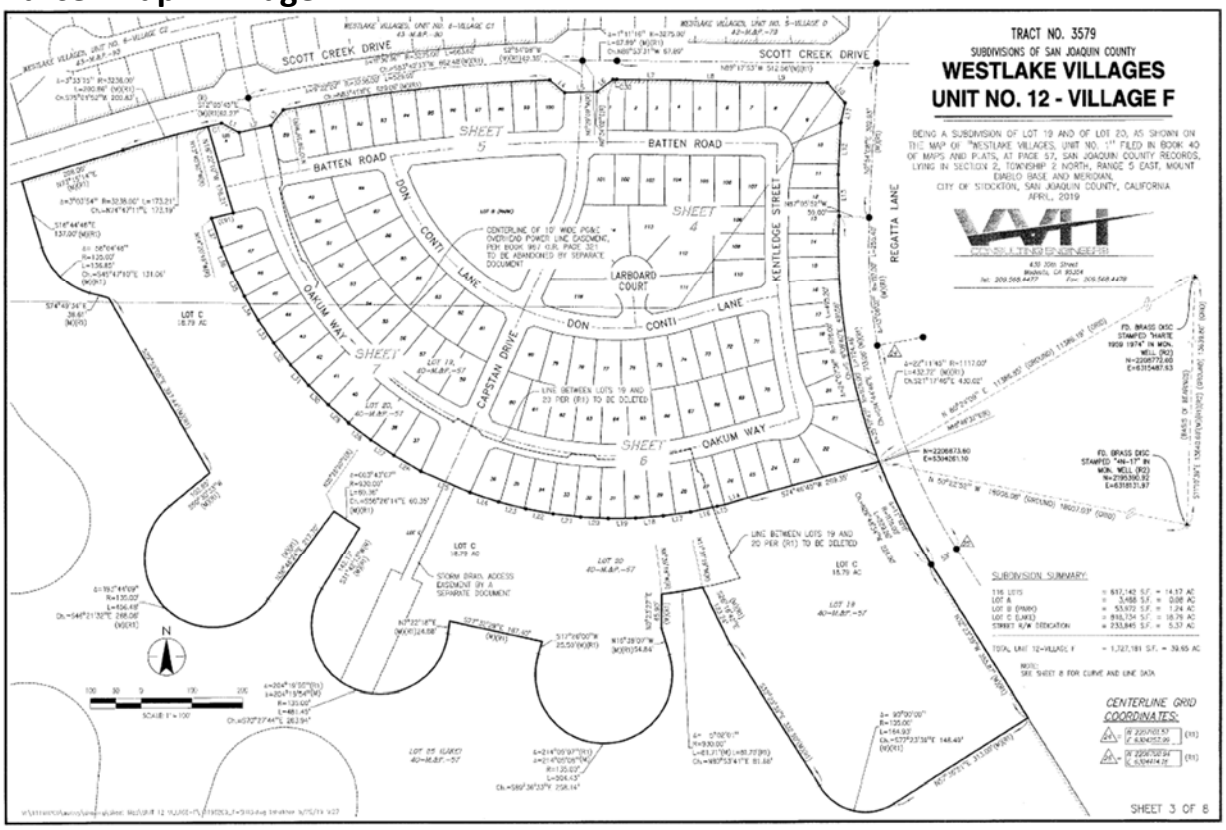


Parcel Map – Village C2



Parcel Map – Village D

Parcel Map – Village F



Proposed Improvements Description

The subject is being developed by four different homebuilders. It is noted another homebuilder has already sold out of all there lots. A table summarizing all of the homebuilder's floor plans is shown below.

Subject Floor Plans

Community	Plan	Living Area (SF)	Stories	Bedrooms	Bathrooms	Garage Size	Current Base Price
Seasons at Westlake Village	Agate	2,082	1	3-4	2-3	2	$523,950
(Richmond American Homes)	Tourmaline	2,660	2	3-5	2.5-3	2	$553,950
	Ammolite	3,040	2	4-6	2.5-3	2	$578,950
The Cove at Westlake Village**	The Zephyr	1,838	1	3	2	2	$466,990
(Caresco Homes)	The Tahoe	2,108	1	4	2-2.5	2	$489,990
	The Emerald	2,660	2	5-6	3	2	$537,990
	The Carnelian	2,309	2	4-5	3	3	$505,990
	The Sunnyside	1,932	1	4	2	2	$479,990
Keys at Westlake	Residence 1662	1,662	1	3	2	2	$445,990
(Lennar)	Residence 2166	2,166	1	4	2.5	2	$484,990
	Residence 2441	2,441	2	4	3	2	$493,990
	Residence 2713	2,713	2	4	3	2	$510,990
	Residence 3156	3,156	2	4	3.5	2	$544,990
Palomino at Westlake	Plan 1969 A	1,969	2	4	2.5	2	$446,000
(DR Horton)	Plan 2161 A	2,161	2	5	3	2	$463,000
	Plan 2318 A	2,318	2	4	3	2	$478,000
Regatta - Sold Out Community	The Del Mar	1,893	1	3	2	2	-
(FCB Homes)	The Balboa	1,990	1	4	2	2	-
	The Newport	2,498	2	4	3	2	-

**The solar is fully owned and included in the base price

It is noted properties within the boundaries of CFD No. 2018-2 (Westlake Villages II) has a Homeowner's Association (HOA). According to the builder, HOA fees are projected to range from $95-$185 per month per lot. The HOA fees will vary with each phase of development being constructed. It is estimated that the HOA will be approximately $120 when the community is fully built out. HOA dues cover the common area landscaping, parks, and other common areas. Additionally, there is no affordable housing requirements for the subject property.

SEASONS

Real Estate Taxes

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

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

According to the San Joaquin County Tax Collector's Office, the subject is located in tax rate area 04-036 with a corresponding tax rate of 1.1497%.

In addition to Ad Valorem and other charges, the appraised parcels are subject to the Delta Farms Reclamation District No. 2042 CFD No. 2001-1 (Bishop Tract). According to the California Property Tax Disclosure Report for New Construction/New Homes for the subject property, "The authorized Facilities which are being paid for by the Special Taxes, include but are not limited to the construction and acquisition of a levee system within the district related to flood control and future development as well as other administrative expenses associated with the District. These facilities may not yet have all been constructed or acquired and it is possible that some may never be constructed or acquired." The estimated direct charge is $475.24 per residential acre. The Delta Farms Reclamation District No. 2042 CFD No. 2001-1 (Bishop Tract) will not escalate.

The appraised property consists of the taxable parcels within the City of Stockton Improvement Area 1 of CFD 2018-2 (Westlake Villages II). CFD No. 2018-2 (Westlake Villages II) has been established to create a land-secured funding mechanism to generate a construction fund from bonds for authorized facilities. These improvements include, but are not limited to, facilities, roadway, bridge, sewer, water, reclaimed water, dry utilities, storm drain, storm water basin, street and parkway landscaping, curb and gutter, medians, median landscaping, traffic signals, entry signage, parks, trails, lakes, and pump stations, incidental expenses and bond issuance costs, and environmental mitigation obligations of the project required for the facilities. The market values estimated herein are based on a hypothetical condition that certain proceeds from the Bonds are available to reimburse for infrastructure improvements completed. The estimate of market value accounts for the impact of the Lien of the Special Taxes securing the CFD No. 2018-2 (Westlake Villages II) Special Tax Bonds. Maximum annual Special Tax amounts for the District are shown in the following table. Special Tax A will escalate at a maximum of two percent per year, while Special Tax B will escalate at four percent per year. For the initial series of bonds the interest for Special Tax A is capitalized for the first year.

CFD No. 2018-2 (Westlake Villages II) - Maximum Special Tax		
Land Use Category	**Taxed per Residential Unit**	**Non Residential Property (Acre)**
Residential Property - Special Tax A		$16,397
More than 3,000 square feet	$2,971	
2,501 to 3,000 square feet	$2,303	
2,001 to 2,500 square feet	$1,700	
1,501 to 2,000 square feet	$1,534	
Less than 1,501 square feet	$1,402	
Residential Property - Special Tax B	$541	

Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

Highest and Best Use As If Vacant

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

Legally Permissible

The legal factors influencing the highest and best use of the subject properties are primarily government regulations, such as zoning and building codes. The subject properties have entitlements in place for 377 units. Overall, the legally permissible uses are to develop the subject properties in accordance with the existing entitlements and land use designations, which have undergone extensive planning and review. A rezone to any other land use is highly unlikely.

Physically Possible

The physical characteristics of a site that affect its possible use(s) include, but are not limited to, location, street frontage, visibility, access, size, shape, topography, availability of utilities, offsite improvements, easements and soil and subsoil conditions. The legally permissible test has resulted in uses consistent with the existing entitlements (i.e., residential); at this point the physical characteristics are examined to see if they are suited for the legally permissible use.

The physical characteristics of the subject properties support development. The subject properties have paved access, in-tracts (on-site) improvements and public utilities are in place for all of the villages. The subject is not located in an adverse earthquake or flood zone. Surrounding land uses are compatible and/or similar to the legally permissible uses. Development on nearby properties provides support that soils are adequate for development.

Financially Feasible

Financial feasibility depends on supply and demand influences. With respect to financial feasibility of residential development, in recent months merchant builders have acquired unimproved lots in the Central Valley for near term construction, and there are multiple active projects in the area that demonstrate demand for new homes. Finished lots are transferring for prices that exceed the sum of unimproved lots and site development costs, which indicates completion of site development is

financially feasible. Moving forward from the restrictions caused by the COVID-19 pandemic, it is still deemed financially feasible to construct new residential development.

Maximally Productive

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the appraised properties. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, the maximally productive use of the appraised properties, and its highest and best use as vacant, is for near term single-family residential development.

Highest and Best Use as Improved (based on a hypothetical condition)

As with the highest and best use as though vacant, the four tests of highest and best use must also be applied to the subject properties, based upon the infrastructure improvements in place as of the date of value. Consideration must be given to the continued as-is use of the subject, as well as alternative uses for the property. The potential alternative uses consist of demolition, expansion, conversion or renovation.

Currently, it is considered reasonable to continue development of residential lots, as dictated by demand. As new backbone infrastructure, the improvements provide contributory value and are necessary to complete development of the property. Conversion is not currently possible given the planned land uses. Renovation is not warranted, as the improvements are new. Further, the completion of the minimal amount of remaining site development costs related to the landscaping along Scott Creek Drive. The highest and best use of the subject, as improved, is for continuation of development of residential lots and construction of new homes as dictated by demand.

Probable Buyers

The probable buyers of the various components of the subject are as follows:

- Finished lots: merchant builders
- Existing and under construction homes: Completion of construction and sell-off to individual homeowners

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Additional analyses often undertaken in the valuation of subdivisions include **extraction**, **land residual analysis,** and the **subdivision development method**.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

Market Valuation – Floor Plans

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

The proper application of this approach requires obtaining recent sales data for comparison with the appraised properties. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

The objective of the analyses is to estimate the base price per floor plan, net of incentives, upgrades and lot premiums. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. The base price pertains to the typical lot size within each respective community. It is noted that DR Horton does not have any completed homes within Village F; therefore, their respective floor plan is not analyzed. The floor plans to be appraised is summarized in the following table.

Subject Smallest Floor Plan

Community	Plan	Living Area (SF)	Stories	Bedrooms	Bathrooms	Garage Size	Current Base Price
Seasons at Westlake Village (Richmond American Homes)	Agate	2,082	1	3-4	2-3	2	$523,950
The Cove at Westlake Village** (Caresco Homes)	The Zephyr	1,838	1	3	2	2	$466,990
Keys at Westlake (Lennar)	Residence 1662	1,662	1	3	2	2	$445,990
Regatta - Sold Out Community (FCB Homes)	The Del Mar	1,893	1	3	2	2	-

**The solar is fully owned and included in the base price

We will analyze each floor plan separately. As previously stated, developers within the region have seen a drastic rise in average base prices over the past several quarters. Demand within the region has been robust enough to support an increase in base prices, often with each phase release. The Builders report this enables them to maximize profits and also manage buyer expectation (deliveries beyond their current pace of sales would be challenging). The demand has been driven by a combination of low interest rates and buyers moving from the Bay Area and inner cities to the suburbs. Overall, demand in the region is expected to continue in the near term. Typically, a home is sold with an agreed upon price and then construction begins on the home, taking approximately six months to complete. Once the home is constructed, the home closes escrow at the previously agreed upon price. In today's market, base prices at the close of escrow are significantly higher than when the home was

sold. Therefore, more emphasis is placed on the pending sales compared to the properties that have recently transferred.

The comparable sales for each floor plan are summarized in the following table. It is noted that all of the comparable sales are within the subject property.

New Home Sale Summary - Richmond American Homes

No.	Location	Sale Date	Sale Price	Living Area (SF)	Sale Price Per SF	Lot Size	Floor Plan	Year Built	Stories	Garage
1	10945 Gladlands Ave Stockton	Pending	$512,790	2,108	$243	5,368	4/2	2021	1	2
2	6834 Tailwind Lane Stockton	Pending	$520,236	2,082	$250	6,230	3/2	2021	1	2
3	10905 Gladlands Ave Stockton	Pending	$509,436	2,082	$245	6,080	3/2	2021	1	2
4	10949 Gladlands Ave Stockton	Pending	$486,990	1,932	$252	5,331	4/2	2021	1	2

New Home Sale Summary - Caresco Homes

No.	Location	Sale Date	Sale Price	Living Area (SF)	Sale Price Per SF	Lot Size	Floor Plan	Year Built	Stories	Garage
1	10941 Gladlands Ave Stockton	Pending	$470,990	1,838	$256	5,368	3/2	2021	1	2
2	6827 Sparks St Stockton	Pending	$480,676	1,838	$262	6,202	3/2	2021	1	2
3	10949 Gladlands Ave Stockton	Pending	$486,990	1,932	$252	5,331	3/2	2021	1	2
4	6834 Tailwind Lane Stockton	Pending	$520,236	2,082	$250	6,230	3/2	2021	1	2

New Home Sale Summary - Lennar

No.	Location	Sale Date	Sale Price	Living Area (SF)	Sale Price Per SF	Lot Size	Floor Plan	Year Built	Stories	Garage
1	6827 Sparks St Stockton	Pending	$480,676	1,838	$262	6,202	3/2	2021	1	2
2	10943 Mataket Ct Stockton	Pending	$435,905	1,662	$262	5,628	3/2	2021	1	2
3	6953 Whalers Way Stockton	Pending	$429,990	1,662	$259	6,435	3/2	2021	1	2
4	6940 Wamasquid Ln Stockton	Jan-21	$424,574	1,662	$255	5,225	3/2	2021	1	2

New Home Sale Summary - FCB Homes

No.	Location	Sale Date	Sale Price	Living Area (SF)	Sale Price Per SF	Lot Size	Floor Plan	Year Built	Stories	Garage
1	10941 Gladlands Ave Stockton	Pending	$470,990	1,838	$256	5,368	3/2	2021	1	2
2	6827 Sparks St Stockton	Pending	$480,676	1,838	$262	6,202	3/2	2021	1	2
3	10949 Gladlands Ave Stockton	Pending	$486,990	1,932	$252	5,331	3/2	2021	1	2
4	6834 Tailwind Lane Stockton	Pending	$520,236	2,082	$250	6,230	3/2	2021	1	2

Discussion of Adjustments

In order to estimate the market values for the subject floor plan, the comparable transactions were adjusted to the subject with regard to categories that affect market value. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject and are adjusted upward. In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers whether adjustments are necessary pertaining to these items:

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

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. Even so, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors and the value conclusion for each unit follows.

Bonds

Bond debt has a direct impact on the amount for which the end product will sell. In an effort to account for the impact of bond indebtedness on the sales price, we establish a present value amount for the difference in the bond encumbrance between the subject and comparbales based on the annual assessment, and the estimated average holding period of a single family home, which is estimated at 13 years. All of the comparables are encumbered by bonds; thus, an adjustment for the difference in the present value of the bonds is considered in this analysis.

Upgrades and Incentives

The objective of the analysis is to estimate the base value per floor plan, net of incentives. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. Incentives and upgrades included in the sales have been considered and adjusted for in this analysis.

Property Rights Conveyed

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

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. If the seller provides incentives in the form of paying for closing costs or an interest rate buy down, a discount has been obtained by the buyer for financing terms. This discount price must then be adjusted to a cash equivalent basis. Also, any incentives applicable toward closing costs would have been reflected in the incentives adjustments previously considered. No adjustments were required for this factor.

Conditions of Sale

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

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

The comparables did not involve any non-market or atypical conditions of sale. Adjustments for this factor do not apply.

Market Conditions (Date of Sale, Phase Adjustment)

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

All of the comparables are pending sales or transferred within the last two months; therefore, no adjustment is required for market conditions.

Location

Location is a very important factor to consider when making comparisons. The comparables need not be in the same neighborhood but should be in neighborhoods that offer the same advantage and have, in general, the same overall desirability to the most probable buyer or user. All of the comparables are located within Westlake Villages. Therefore, no adjustments are warranted for location.

Community Appeal

In addition to market location adjustments, we consider community appeal adjustments. Even within a specific market location, often specific community characteristics influence sale prices. Often, prices on one street may be significantly higher or lower than the next, despite similar home characteristics. Community characteristics that may influence sale prices include a gated amenity or the condition of surrounding development.

The subject and all of the comparables are located in a master planned community; therefore, no adjustment for community appeal is required.

Lot Size

The lot size adjustment pertains to the differences between the subjects' typical lot size and comparables with either larger or smaller lots. It does not include any lot premium adjustments, which are adjusted for separately. The amount of the adjustment used in the comparison of the base lot sizes comes from a survey of premiums paid for larger lots. Considering the average lot size adjustments factors indicated by the comparable sales utilized in this analysis, a lot size adjustment factor of $8.00/SF is considered reasonable. This figure is supported by our observations of sales in the subject's market area. It is noted adjustments within the same subject community are not necessary when lot premiums are identified.

Lot Premiums

Properties sometimes achieve premiums for corner or cul-de-sac positioning, or proximity to open space or views. Adjustments for lot position premiums would be in addition to lot size adjustments previously considered. Some of the comparables have lot premiums, which was detailed within the information provided by the sales office and require a downward adjustment.

Design and Appeal/Quality of Construction

Design and appeal of a floor plan is consumer specific. One exterior may appeal to one buyer, while another appeals to a different buyer. These types of features for new homes with similar functional utility are not typically noted in the base sales prices. The comparables are similar to the subject in regard to design and appeal.

Construction quality can differ from slightly to substantially between projects and is noted in the exterior and interior materials and design features of a standard unit. In terms of quality of construction, the subject represents good construction quality. All of the comparable sales feature similar construction quality and do not require adjustments.

Age/Condition

When comparing resale to resale, the market generally reflects a difference of 1% per year of difference in effective age. We have applied a similar adjustment factor to the estimated effective age of the comparable sales. All of the comparables were or will be constructed in 2021. Therefore, no adjustment for age/condition is required.

Functional Utility

The appraised properties and comparables represent traditional detached single-family residential construction on similar lot size categories as the subject. Adjustments for this factor do not apply.

Room Count

For similar size units the differences between room count is a buyer preference. One buyer might prefer two bedrooms and a den versus a three-bedroom unit. Extra rooms typically result in additional building area and are accounted for in the size adjustment. Therefore, no adjustments are made for number of total rooms or bedrooms. Because bathrooms are a functional item for each floor plan and add substantial cost due to the number of plumbing fixtures, an adjustment is made for the difference in the number of fixtures between the subject and the comparable sales. The adjustment is based on an amount of $5,000 per fixture (or half-bath) and is supported by cost estimates for a good quality home in the Residential Cost Handbook, published by the Marshall and Swift Corporation. Considering the fact that plumbing upgrades for existing bathrooms generally range from $5,000 to over $25,000 for the various fixtures, the $5,000 per fixture, or half-bath, is supported. Consequently, a factor of $10,000 per full bath is also applied in our analysis.

Unit Size/Living Area

Units similar (in the same development), except for size, were compared to derive the applicable adjustment for unit size. Those used for comparison purposes, are units within similar projects. Units within the same project were used since they have a high degree of similarity in quality, workmanship, design and appeal. Other items such as a single level or two-story designs, number of bathrooms and number of garage spaces were generally similar in these comparisons, in order to avoid other influences in price per square foot. Where differences exist, they are minor and do not impact the overall range or average concluded.

The typical range indicated by the paired units in this analysis generally demonstrated a value range from approximately $50 to upwards of $100 per square foot. Considering the information cited above, a factor of $83 per square foot is concluded to be appropriate and reasonable for the difference in living area between the subject and the comparables, given the quality of the product.

Number of Stories

For similar size units, the differences between the number of stories is a buyer preference. One buyer might prefer a single-story versus a two-story unit. Typically, more stories result in additional building area and are accounted for in the size adjustment. As all the comparables are single story homes like the each of the subject's smallest floor plans analyzed herein, no adjustments for this factor are warranted.

Parking/Garage

The subject’s floor plans and all of the comparables have a two car garage and do not require an adjustment.

Adjustment Grids

The following pages include grids reflecting the aforementioned adjustments.

Adjustment Grid - Completed Single-Family Homes - Richmond American Homes

Project Information:		Subject Property	Sale 1		Sale 2		Sale 3		Sale 4	
Project Name		Seasons	The Cove		Seasons		Seasons		The Cove	
Plan		Agate	The Tahoe		Agate		Agate		The Sunnyside	
Address/Lot Number		Base Plan	10945 Gladlands Ave		6834 Tailwind Lane		10905 Gladlands Ave		10949 Gladlands Ave	
City/Area		Stockton	Stockton		Stockton		Stockton		Stockton	
Price		N/Ap		$512,790		$520,236		$509,436		$486,990
Price Per SF		N/Ap	$243.26		$249.87		$244.69		$252.07	
Special Taxes (PV at 3.5% and 13 year term)		$1,700	$1,700	$0	$1,700	$0	$1,700	$0	$1,534	-$1,710
Total Consideration				**$512,790**		**$520,236**		**$509,436**		**$485,280**
Data Source			Sales Office		Sales Office		Sales Office		Sales Office	
Incentives		N/Ap	No	$0	No	$0	Yes	($1,500)	No	$0
Upgrades		Base	Upgrades	($16,800)	Upgrades	$0	Upgrades	($4,986)	Upgrades	$0
Effective (Base) Total Consideration				**$495,990**		**$520,236**		**$502,950**		**$485,280**
Adjustments:	**Factor**		**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**
Property Rights		Fee Simple	Similar		Similar		Similar		Similar	
Financing Terms		Cash Equivelant	Similar		Similar		Similar		Similar	
Conditions of Sale		Market	Market		Market		Market		Market	
Market Conditions										
Date of Sale (Contract Date)		MV 03/21	Pending		Pending		Pending		Pending	
Phase Adjustment		N/Ap								
New Incentive Adjustment		N/Ap								
Project Location		Stockton	Stockton		Stockton		Stockton		Stockton	
Community Appeal		Average	Similar		Similar		Similar		Similar	
Lot Size	$8.00	5,225	5,368	($1,144)	6,230	($8,040)	6,080	($6,840)	5,331	($848)
Lot Premium		None	Similar		Yes	($20,000)	Yes	($18,000)	Similar	
Design and Appeal		Average	Similar		Similar		Similar		Similar	
Quality of Construction		Good	Similar	$0	Similar	$0	Similar	$0	Similar	$0
Age (Total/Effective)		New	New		New		New		New	
Condition		Good/New	Similar		Similar		Similar		Similar	
Functional Utility		Average	Similar		Similar		Similar		Similar	
Room Count										
Bedrooms		3	4		3		3		4	
Baths	$10,000	2	2	$0	2	$0	2	$0	2	$0
Living Area (SF)	$83.00	2,082	2,108	($2,158)	2,082	$0	2,082	$0	1,932	$12,450
Number of Stories		One	One		One		One		One	
Heating/Cooling		Central/Forced	Similar		Similar		Similar		Similar	
Garage	$10,000	2 Car	2 Car		2 Car		2 Car		2 Car	
Landscaping		Front	Front		Front		Front		Front	
Pool/Spa		None	Similar		Similar		Similar		Similar	
Patios/Decks		Patio	Similar		Similar		Similar		Similar	
Fencing		Rear	Similar		Similar		Similar		Similar	
Fireplace(s)		None	Similar		Similar		Similar		Similar	
Kitchen Equipment		Average	Similar		Similar		Similar		Similar	
Other			None		None		None		None	
Gross Adjustments				$3,302		$28,040		$24,840		$13,298
Net Adjustments				**($3,302)**		**($28,040)**		**($24,840)**		**$11,602**
Adjusted Base Retail Value				**$492,688**		**$492,196**		**$478,110**		**$496,882**

Concluded Base Retail Value	**$490,000**
Indicated Value Per SF	**$235.35**

Adjustment Grid - Completed Single-Family Homes - Caresco Homes

Project Information:		Subject Property	Sale 1		Sale 2		Sale 3		Sale 4	
Project Name		The Cove	The Cove		The Cove		The Cove		Seasons	
Plan		The Zephyr	The Zephyr		The Zephyr		The Sunnyside		Agate	
Address/Lot Number		Base Plan	10941 Gladlands Ave		6827 Sparks St		10949 Gladlands Ave		6834 Tailwind Lane	
City/Area		Stockton	Stockton		Stockton		Stockton		Stockton	
Price		N/Ap		$470,990		$480,676		$486,990		$520,236
Price Per SF		N/Ap	$256.25		$261.52		$252.07		$249.87	
Special Taxes (PV at 3.5% and 13 year term)		$1,534	$1,534	$0	$1,534	$0	$1,534	$0	$1,700	$1,710
Total Consideration				**$470,990**		**$480,676**		**$486,990**		**$521,946**
Data Source			Sales Office		Sales Office		Sales Office		Sales Office	
Incentives		N/Ap	No	$0	No	$0	No	$0	No	$0
Upgrades		Base	Upgrades	$0	Upgrades	$0	Upgrades	$0	Upgrades	$0
Effective (Base) Total Consideration				**$470,990**		**$480,676**		**$486,990**		**$521,946**
Adjustments:	**Factor**		**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**
Property Rights		Fee Simple	Similar		Similar		Similar		Similar	
Financing Terms		Cash Equivelant	Similar		Similar		Similar		Similar	
Conditions of Sale		Market	Market		Market		Market		Market	
Market Conditions										
Date of Sale (Contract Date)		MV 03/21	Pending		Pending		Pending		Pending	
Phase Adjustment		N/Ap								
New Incentive Adjustment		N/Ap								
Project Location		Stockton	Stockton		Stockton		Stockton		Stockton	
Community Appeal		Average	Similar		Similar		Similar		Similar	
Lot Size	$8.00	5,225	5,368	($1,144)	6,202	($7,816)	5,331	($848)	6,230	($8,040)
Lot Premium		None	Similar		Yes	($1,203)	Similar		Yes	($20,000)
Design and Appeal		Average	Similar		Similar		Similar		Similar	
Quality of Construction		Good	Similar	$0	Similar	$0	Similar	$0	Similar	$0
Age (Total/Effective)		New	New		New		New		New	
Condition		Good/New	Similar		Similar		Similar		Similar	
Functional Utility		Average	Similar		Similar		Similar		Similar	
Room Count										
Bedrooms		3	3		3		3		3	
Baths	$10,000	2	2	$0	2	$0	2	$0	2	$0
Living Area (SF)	$83.00	1,838	1,838	$0	1,838	$0	1,932	($7,802)	2,082	($20,252)
Number of Stories		One	One		One		One		One	
Heating/Cooling		Central/Forced	Similar		Similar		Similar		Similar	
Garage	$10,000	2 Car	2 Car		2 Car		2 Car		2 Car	
Landscaping		Front	Front		Front		Front		Front	
Pool/Spa		None	Similar		Similar		Similar		Similar	
Patios/Decks		Patio	Similar		Similar		Similar		Similar	
Fencing		Rear	Similar		Similar		Similar		Similar	
Fireplace(s)		None	Similar		Similar		Similar		Similar	
Kitchen Equipment		Average	Similar		Similar		Similar		Similar	
Other			None		None		None		None	
Gross Adjustments				$1,144		$9,019		$8,650		$48,292
Net Adjustments				**($1,144)**		**($9,019)**		**($8,650)**		**($48,292)**
Adjusted Base Retail Value				**$469,846**		**$471,657**		**$478,340**		**$473,654**

Concluded Base Retail Value	**$470,000**
Indicated Value Per SF	**$255.71**

Adjustment Grid - Completed Single-Family Homes - Lennar

Project Information:		**Subject Property**	**Sale 1**		**Sale 2**		**Sale 3**		**Sale 4**	
Project Name		Keys	The Cove		Keys		Keys		Keys	
Plan		Residence 1662	The Zephyr		Residence 1662		Residence 1662		Residence 1662	
Address/Lot Number		Base Plan	6827 Sparks St		10943 Mataket Ct		6953 Whalers Way		6940 Wamasquid Ln	
City/Area		Stockton	Stockton		Stockton		Stockton		Stockton	
Price		N/Ap		$480,676		$435,905		$429,990		$424,574
Price Per SF		N/Ap	$261.52		$262.28		$258.72		$255.46	
Special Taxes (PV at 3.5% and 13 year term)		$1,534	$1,534	$0	$1,534	$0	$1,534	$0	$1,534	$0
Total Consideration				**$480,676**		**$435,905**		**$429,990**		**$424,574**
Data Source			Sales Office		Sales Office		Sales Office		Sales Office	
Incentives		N/Ap	Yes	$2,500	Yes	$8,500	No	$0	Yes	$10,000
Upgrades		Base	Upgrades	($10,686)	Upgrades	($19,915)	Upgrades	($7,000)	Upgrades	($13,584)
Effective (Base) Total Consideration				**$472,490**		**$424,490**		**$422,990**		**$420,990**
Adjustments:	**Factor**		**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**
Property Rights		Fee Simple	Similar		Similar		Similar		Similar	
Financing Terms		Cash Equivelant	Similar		Similar		Similar		Similar	
Conditions of Sale		Market	Market		Market		Market		Market	
Market Conditions										
Date of Sale (Contract Date)		MV 03/21	Pending		Pending		Pending		1/7/2021	
Phase Adjustment		N/Ap								
New Incentive Adjustment		N/Ap								
Project Location		Stockton	Stockton		Stockton		Stockton		Stockton	
Community Appeal		Average	Similar		Similar		Similar		Similar	
Lot Size	$8.00	5,225	6,202	($7,816)	5,628	($3,224)	6,435	($9,680)	5,225	$0
Lot Premium		None	Yes	($1,203)	Similar	$0	Similar		Similar	$0
Design and Appeal		Average	Similar		Similar		Similar		Similar	
Quality of Construction		Good	Similar	$0	Similar	$0	Similar	$0	Similar	$0
Age (Total/Effective)		New	New		New		New		New	
Condition		Good/New	Similar		Similar		Similar		Similar	
Functional Utility		Average	Similar		Similar		Similar		Similar	
Room Count										
Bedrooms		3	3		3		3		3	
Baths	$10,000	2	2	$0	2	$0	2	$0	2	$0
Living Area (SF)	$83.00	1,662	1,838	($14,608)	1,662	$0	1,662	$0	1,662	$0
Number of Stories		One	One		One		One		One	
Heating/Cooling		Central/Forced	Similar		Similar		Similar		Similar	
Garage	$10,000	2 Car	2 Car		2 Car		2 Car		2 Car	
Landscaping		Front	Front		Front		Front		Front	
Pool/Spa		None	Similar		Similar		Similar		Similar	
Patios/Decks		Patio	Similar		Similar		Similar		Similar	
Fencing		Rear	Similar		Similar		Similar		Similar	
Fireplace(s)		None	Similar		Similar		Similar		Similar	
Kitchen Equipment		Average	Similar		Similar		Similar		Similar	
Other			None		None		None		None	
Gross Adjustments				$23,627		$3,224		$9,680		$0
Net Adjustments				**($23,627)**		**($3,224)**		**($9,680)**		**$0**
Adjusted Base Retail Value				**$448,863**		**$421,266**		**$413,310**		**$420,990**

Concluded Base Retail Value	**$420,000**
Indicated Value Per SF	**$252.71**

Adjustment Grid - Completed Single-Family Homes - FCB Homes

Project Information:		Subject Property	Sale 1		Sale 2		Sale 3		Sale 4	
Project Name		Regatta	The Cove		Regatta		Regatta		Seasons	
Plan		The Del Mar	The Zephyr		The Zephyr		The Sunnyside		Agate	
Address/Lot Number		Base Plan	10941 Gladlands Ave		6827 Sparks St		10949 Gladlands Ave		6834 Tailwind Lane	
City/Area		Stockton	Stockton		Stockton		Stockton		Stockton	
Price		N/Ap		$470,990		$480,676		$486,990		$520,236
Price Per SF		N/Ap	$256.25		$261.52		$252.07		$249.87	
Special Taxes (PV at 3.5% and 13 year term)		$1,534	$1,534	$0	$1,534	$0	$1,534	$0	$1,700	$1,710
Total Consideration				**$470,990**		**$480,676**		**$486,990**		**$521,946**
Data Source			Sales Office		Sales Office		Sales Office		Sales Office	
Incentives		N/Ap	No	$0	No	$0	No	$0	No	$0
Upgrades		Base	Upgrades	$0	Upgrades	$0	Upgrades	$0	Upgrades	$0
Effective (Base) Total Consideration				**$470,990**		**$480,676**		**$486,990**		**$521,946**
Adjustments:	**Factor**		**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**	**Description**	**+/(-)**
Property Rights		Fee Simple	Similar		Similar		Similar		Similar	
Financing Terms		Cash Equivelant	Similar		Similar		Similar		Similar	
Conditions of Sale		Market	Market		Market		Market		Market	
Market Conditions										
Date of Sale (Contract Date)		MV 03/21	Pending		Pending		Pending		Pending	
Phase Adjustment		N/Ap								
New Incentive Adjustment		N/Ap								
Project Location		Stockton	Stockton		Stockton		Stockton		Stockton	
Community Appeal		Average	Similar		Similar		Similar		Similar	
Lot Size	$8.00	5,225	5,368	($1,144)	6,202	($7,816)	5,331	($848)	6,230	($8,040)
Lot Premium		None	Similar		Yes	($1,203)	Similar		Yes	($20,000)
Design and Appeal		Average	Similar		Similar		Similar		Similar	
Quality of Construction		Good	Similar	$0	Similar	$0	Similar	$0	Similar	$0
Age (Total/Effective)		New	New		New		New		New	
Condition		Good/New	Similar		Similar		Similar		Similar	
Functional Utility		Average	Similar		Similar		Similar		Similar	
Room Count										
Bedrooms		3	3		3		3		3	
Baths	$10,000	2	2	$0	2	$0	2	$0	2	$0
Living Area (SF)	$83.00	1,893	1,838	$4,565	1,838	$4,565	1,932	($3,237)	2,082	($15,687)
Number of Stories		One	One		One		One		One	
Heating/Cooling		Central/Forced	Similar		Similar		Similar		Similar	
Garage	$10,000	2 Car	2 Car		2 Car		2 Car		2 Car	
Landscaping		Front	Front		Front		Front		Front	
Pool/Spa		None	Similar		Similar		Similar		Similar	
Patios/Decks		Patio	Similar		Similar		Similar		Similar	
Fencing		Rear	Similar		Similar		Similar		Similar	
Fireplace(s)		None	Similar		Similar		Similar		Similar	
Kitchen Equipment		Average	Similar		Similar		Similar		Similar	
Other			None		None		None		None	
Gross Adjustments				$5,709		$13,584		$4,085		$43,727
Net Adjustments				**$3,421**		**($4,454)**		**($4,085)**		**($43,727)**
Adjusted Base Retail Value				**$474,411**		**$476,222**		**$482,905**		**$478,219**

Concluded Base Retail Value	**$478,000**
Indicated Value Per SF	**$252.51**

Conclusion of Home Value

Based on the analysis herein, the not-less-than market value conclusion for the completed homes is summarized in the following table.

Floor Plan Conclusion

Community	Village	Plan	Living Area (SF)	Typical Lot (SF)	Conclusion of Value
Seasons at Westlake Village (Richmond American Homes)	Village C1	Agate	2,082	5,225	**$490,000**
The Cove at Westlake Village (Caresco Homes)	Village C1	The Zephyr	1,838	5,225	**$470,000**
Keys at Westlake (Lennar)	Village C2	Residence 1662	1,662	5,225	**$420,000**
Regatta - Sold Out Community (FCB Homes)	Village D	The Del Mar	1,893	5,225	**$478,000**

The conclusion of not-less-than value above is assigned to each assessor's parcel with a completed single-family home without a complete assessed value for both land and improvements.

Residential Lot Valuation

For the purpose of estimating the value of the subject's lot categories, we have identified a benchmark lot category. As noted below, the subject has two similar lot sizes; however, the villages vary in terms of lot premiums. Following the conclusion of value for the benchmark lots we will address the remaining lot size categories. The following table presents all of the subject lots.

Subject Villages

Village	Number of Lots	Typical Lot Size	Comments
C1	87	5,225	Finished lots, homes under construction and completed homes
C2	101	5,225	Finished lots, homes under construction and completed homes (43 waterfront lots)
D	73	5,225	Completed homes sold to individual homeowners
F	116	4,500	Finished Lots and homes under construction

A majority of the lots have a typical lot size of 5,225 square feet; therefore, we will analyze Village C1 as our benchmark lot category because it does not have any lot premiums. We will utilize the sales comparison approach and a land residual analysis to estimate the market value of the lots. The estimate of value assumes the lots would sell on a bulk, or wholesale, basis. That is, a group of lots would transfer in one transaction to a single buyer. The lots have a benchmark lot size of 5,225 square feet.

It is noted, this analysis is conducted on a finished lot basis. Later in this report, we apply a lot size adjustment factor to account for differing lot sizes within the subject.

Sales Comparison Approach

In this section of the report, we will utilize the sales comparison approach to estimate the market value of the subject lots. This value estimate assumes the subject property would sell on a bulk, or wholesale, basis. That is, it would transfer in one transaction to a single buyer. This approach develops an indication of value by researching, verifying, and analyzing sales of similar properties. Our sales research focused on transactions within the following parameters:

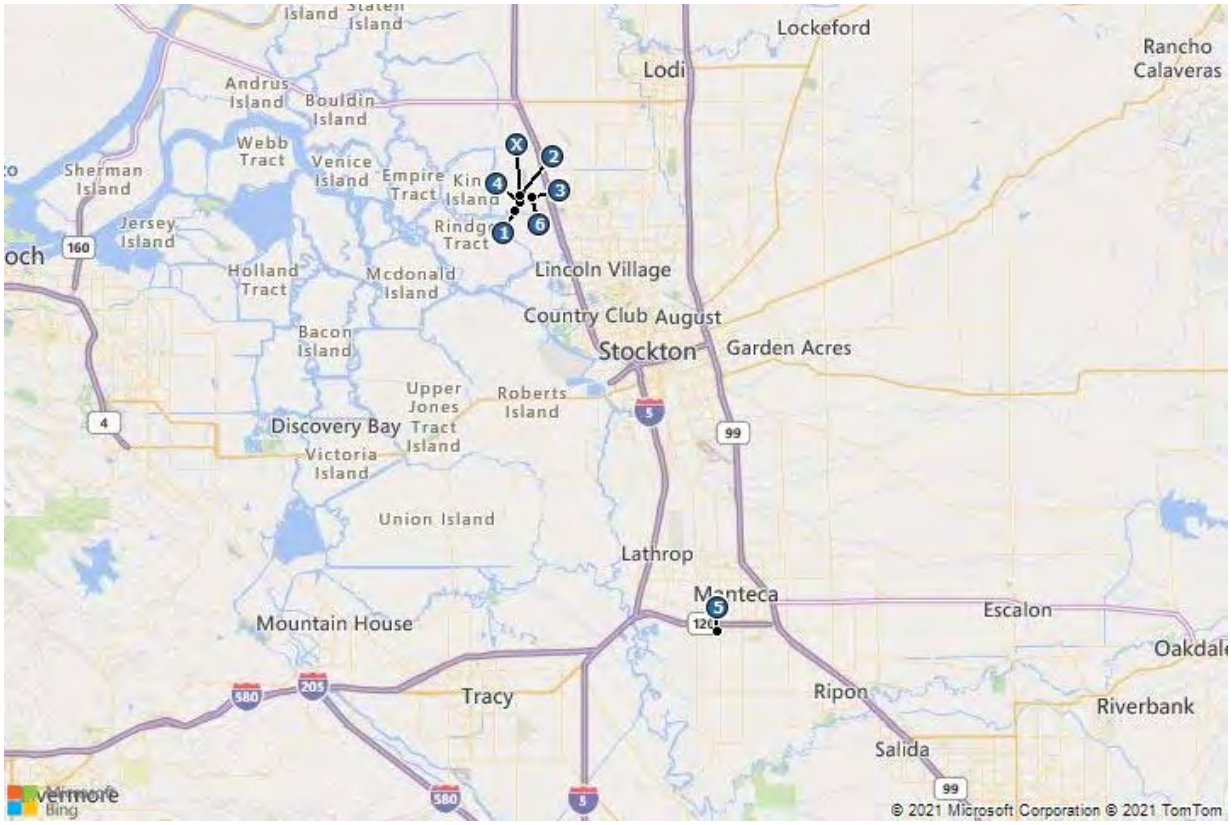
- Location: Stockton and surrounding areas
- Typical Lot Size: 4,000 to 7,000 square feet
- Number of Lots: 25 to 250 lots
- Transaction Date: 2019 or later

The sales are analyzed on a loaded lot basis, which is the equivalent of underlying land, any remaining site development costs and all fees paid through the building permit for home construction. Note Sales 2, 3, 4, and 6 represent a portion of the subject property. The most relevant sales are summarized in the following table:

Summary of Comparable Land Sales

No.	Name/Address	Sale Date; Status	Sale Price; PV of Spec. Tax/Lot	Typical Lot Size	Number of Lots	$/Lot	Site Dev. Costs/Lot; Permits & Fees/Lot
1	Westlake Villages - Village M Westlake Dr. Stockton Tax ID: 066-050-090 Grantor: Stockton Westlake Investment LLC Grantee: Meritage Homes Document ID: *Comments: This is a sale of 84 paper lot that are under contract for $70,000 per lot. The lots are projected to close escrow by August of 2021. It is estimated there is $56,000 per lot in site development costs to get the lots to finished condition. The permits and fees are estimated at $40,000 per lot and the annual special assessments are estimated at $1,700 per lot. The lots have a typical lot size of 5,500 square feet.*	Mar-21 In-Contract	$5,880,000 $27,691	5,500	84	$70,000	$56,000 $40,000
2	Westlake Villages II - Village C2 Monomoy Way Stockton Tax ID: Grantor: Eight Mile Development, Inc Grantee: Lennar Document ID: *Comments: This sale represents the second phase of a two phased transaction of 101 lots within Village C2 of Westlake Villages II. The first phase consisted of 40 finished lots that transferred in June of 2020. The second phase consisted of 61 lots and was purchased for $6,710,000 ($110,000 per lot). The sale is an arm's length transaction with no unusual motivations. It is noted that these lots have a lot premium with 43 of the lots having a waterfront lot premium. The typical lot size is 5,225 square feet. Permits and fees are estimated at $40,000. Annual special taxes are estimated at $1,700 per lot.*	Mar-21 Closed	$6,710,000 $27,691	5,225	61	$110,000	$0 $40,000
3	Westlake Villages II - Village C1 Scott Creek Dr. Stockton Tax ID: Grantor: Eight Mile Development, Inc Grantee: Caresco Document ID: *Comments: This sale represents the second phase of a two phased transaction of 46 lots within Village C1 of Westlake Villages II. The first phase consisted of 26 finished lots that transferred in May of 2020. The second phase consisted of 20 lots and was purchased for $1,951,240 ($97,562 per lot). The sale is an arm's length transaction with no unusual motivations. The typical lot size is 5,225 square feet. Permits and fees are estimated at $40,000. Annual special taxes are estimated at $1,700 per lot.*	Dec-20 Closed	$1,951,240 $27,691	5,225	20	$97,562	$0 $40,000
4	Westlake Villages II - Village F Capstan Dr. Stockton Tax ID: 066-450-010 through -73, 066-460-010 through -43 Grantor: Eight Mile Development, Inc Grantee: DR Horton *Comments: A portion of Village F comprised of 72 finished lots with a typical lot size of 4,500 square feet, was purchased by DR Horton from EMDI for $7,452,000 ($103,500 per lot for the 72 lots). The lots transferred in finished condition. DR Horton is expected to exercise their option to purchase the remaining 44 lots within Village F at the same per lot price in August of 2021. Permits and fees are estimated at $40,000 per lot and annual special taxes are estimated at $1,700 per lot.*	Oct-20 Closed	$7,452,000 $27,691	4,500	72	$103,500	$0 $40,000
5	Sundance, Unit 5 W. Atherton Dr. Manteca Tax ID: 226-160-29 Grantor: Beacon Land Company Grantee: Meritage Homes of California Document ID: 72566 *Comments: This comparable represents Unit 5 of the Sundance development, which consists of 129 lots (typical lot size of 4,500). The lots transferred in finished condition. Permits and fees average $55,602/lot and annual special assessments are $1,331/lot.*	Jun-20 Closed	$14,190,000 $21,681	4,500	129	$110,000	$0 $55,602
6	Westlake Villages II - Village C1 (Portion) Scott Creek Dr. Stockton Tax ID: Grantor: Eight Mile Development, Inc. Grantee: Richmond American Homes *Comments: This sale represents 41 lots within Village C1 of Westlake Village. The sale is an arm's length transaction with no unusual motivations. The lots transferred in finished condition. The typical lot size is 5,225 square feet. Permits and fees are estimated at $40,000. Annual special taxes are estimated at $1,700 per lot.*	May-20 Closed	$4,100,000 $27,691	5,225	41	$100,000	$0 $40,000
	Subject Westlake Villages II Stockton, CA						

Comparable Land Sales Map



Sale 1
Westlake Villages - Village M

Sale 2
Westlake Villages II - Village C2

Sale 3
Westlake Villages II - Village C1

Sale 4
Westlake Villages II - Village F

Sale 5
Sundance, Unit 5

Sale 6
Westlake Villages II - Village C1 (Portion)

Loaded Lot Analysis

Prior to the application of adjustments, the following items are added to the per lot sale price.

Loaded Lot Analysis	
Remaining Site Dev. Cost	We apply adjustments for remaining site development costs (if any).
Permits and Fees	Permits and fees due upon building permit are included on a dollar-for-dollar basis.
Bond Encumbrance PV	Most of the comparable properties are encumbered by Community Facilities District bond debts. As such, the comparable properties are adjusted for the present value of the bond encumbrances on a per-lot basis to reflect the total consideration with each transaction.

Loaded Lot Adjustments

	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Remaining Site Development Costs	$56,000	$0	$0	$0	$0	$0
Permits & Fees	$40,000	$40,000	$40,000	$40,000	$55,602	$40,000
Special Taxes/Assessment Lien	$27,691	$27,691	$27,691	$27,691	$21,681	$27,691
Loaded Lot Adjustment	**$123,691**	**$67,691**	**$67,691**	**$67,691**	**$77,283**	**$67,691**

Adjustment Factors

The comparable transactions are adjusted based on the profile of the subject property with regard to categories that affect market value. For certain adjustments, such as site development cost, permits and fees and Special Taxes, adjustments are made using actual or estimated (present value) dollar amounts. Other adjustments may be categorized as either superior or inferior, with percentage adjustments applied accordingly. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories considered inferior to the subject. The adjustments are made in consideration of paired sales, the appraiser's experience and knowledge and interviews with market participants.

At a minimum, the appraiser considers the need to make adjustments for the following factors.

Adjustment Factor	Accounts For	Comments
Real Property Rights	Fee simple, leased fee, leasehold, partial interest, etc.	All the comparables represent fee simple estate transactions. Therefore, adjustments for property rights are not necessary.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.	All of the comparable sales were cash to the seller transactions and do not require adjustments.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale.	All of the comparables are market transactions with no unusual motivations; therefore, no adjustment is warranted for conditions of sale.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.	Comparable 1 transferred during the current period, accordingly no adjustment is warranted. However, Sales 2, 3, 4, 5, and 6 were negotiated in early 2020 or late 2019 and/or the second phase of a two phase transaction in which the price was fixed; therefore, these comparables are adjusted upward slightly. No further adjustments for market conditions are warranted.
Location/Community Appeal	Market or submarket area influences on sale price; surrounding land use influences.	The subject is located in the northeast corner of the Stockton. Sale 5 is located in Manteca, which has enjoyed significant demand due to its proximity to the Bay Area; therefore, this comparable is adjusted downward. No further adjustments are required for location as all of the remaining comparables are located in similar communities of Stockton.

Adjustment Factor	Accounts For	Comments
Number of Lots	Generally, there is an inverse relationship between the number of lots and price per lot such that larger projects (with a greater number of lots) achieve a lower price per lot.	Typically, variances in per lot prices, all else being equal, are not observed in transactions between 40 and 250 lots. While only 20 lots transferred in Sale 3, this is phase one of a two phase transaction totaling 46 lots. All of the comparables represent fairly similar sized transactions and do not require adjustments.
Lot Size	Adjustments for differences in lot size between the comparables and subject are estimated by applying lot size adjustment factors to difference in lot size.	Based on the subject's typical lot size of 5,225 square feet, Sales 4 and 5 have a smaller lot size and requires an upward adjustment. No further adjustments are required for lot size.
Shape and Topography	Differences in contour, drainage, soil conditions, as well as project design, can affect the utility and, therefore, the market value of the properties.	No adjustments required.
Lot Premiums/ Discounts	Primary physical factors that affect desirability of lots.	A portion of the lots comprising Sale 2 have a waterfront premium; therefore, Sale 2 is adjusted downward. Similarly, Sale 1 backs up to the white slough which also offers a waterfront premium and requires a downward adjustment. Sale 4 is located in the interior of the master plan community opposed to along a major neighborhood throughfare; therefore, it requires a downward adjustment. The remaining comparables do not require adjustment for this characteristic.

The table on the following page summarizes the adjustments we make to the comparable sales.

Land Sales Adjustment Grid

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Name	Westlake Villages II	Westlake Villages - Village M	Westlake Villages II - Village C2	Westlake Villages II - Village C1	Westlake Villages II - Village F	Sundance, Unit 5	Westlake Villages II - Village C1 (Portion)
City	Stockton	Stockton	Stockton	Stockton	Stockton	Manteca	Stockton
Sale Date		Mar-21	Mar-21	Dec-20	Oct-20	Jun-20	May-20
Sale Status		In-Contract	Closed	Closed	Closed	Closed	Closed
Sale Price		$5,880,000	$6,710,000	$1,951,240	$7,452,000	$14,190,000	$4,100,000
Number of Lots	87	84	61	20	72	129	41
Price per Lot	–	$70,000	$110,000	$97,562	$103,500	$110,000	$100,000
Loaded Lot Adjustment	–	$123,691	$67,691	$67,691	$67,691	$77,283	$67,691
Price per Loaded Lot		**$193,691**	**$177,691**	**$165,253**	**$171,191**	**$187,283**	**$167,691**
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment		=	=	=	=	=	=
Financing Terms		Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller
Adjustment		=	=	=	=	=	=
Conditions of Sale		Market	Market	Market	Market	Market	Market
Adjustment		=	=	=	=	=	=
Market Conditions	3/29/2021	Mar-21	Mar-21	Dec-20	Oct-20	Jun-20	May-20
Adjustment		=	+	+	+	+	+
Location/Community Appeal		=	=	=	=	--	=
Number of Lots		=	=	=	=	=	=
Lot Size (Typical)		=	=	=	+	+	=
Shape and Topography		=	=	=	=	=	=
Lot Premiums/Discounts		-	-	=	-	=	=
Overall Adjustment		**-**	**=**	**+**	**+/-**	**+/-**	**+**

Indicated Value	**$172,000**

Land Value Conclusion

The market data set consists of various sales that are considered reasonable indicators of market value for the fee simple interest of the subject property.

As previously stated, Sales 2, 3, 4, and 6 are a portion of the subject property. All of the comparables are located in Stockton or Manteca. Sales 2 and 4 are considered to be similar to the subject, while Sales 1 and 5 are considered to be superior and Sales 3 and 6 are inferior. Considering the characteristics of the comparables and the subject property we would anticipate the subject's lot values to be towards the low end of the range of indicators.

Utilizing the elements of comparison described on the preceding pages, we have arrayed a qualitative ranking of the comparables in the following tables, based on the loaded lot price.

Bulk Lot Ranking Summary

Property	Sale Date	$/ Loaded Lot (Unadjusted)	Net Adjustment
Comparable 1	Mar-21	$193,691	-
Comparable 5	Jun-20	$187,283	+/-
Comparable 2	Mar-21	$177,691	=
Subject Property	--	**$172,000**	
Comparable 4	Oct-20	$171,191	+/-
Comparable 6	May-20	$167,691	+
Comparable 3	Dec-20	$165,253	+

Based on the data set, our concluded value estimate for the benchmark lot category is displayed in the following table, along with the finished lot indicator after deducting permits and fees. Value conclusions for the subject's remaining lot categories will be presented following the land residual analysis.

Lot Value Conclusions

	Village C1
Concluded Loaded Lot Value	$172,000
Less: Permits & Fees	($40,000)
Indicated Value	$132,000
(Rd.)	**$132,000**

Land Residual Analysis

The land residual analysis is employed as an additional indicator of market value for the subject's lots, by phase. This valuation method is used in estimating land value when subdivision and development are the highest and best use of the land being appraised. All direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the value of the land. The land residual analysis is conducted on a quarterly basis. As a discounted cash flow analysis, the land residual analysis consists of four primary components summarized as follows:

Revenue – the gross income is based on the individual component values.

Absorption Analysis – the time frame required for sell off. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).

Expenses – the expenses associated with the sell-off are calculated in this section – including infrastructure costs, administration, marketing and commission costs, as well as taxes and special taxes.

Discount Rate – an appropriate discount rate is derived employing a variety of data.

Discussions of these four concepts follows below, with the discounted cash flow analysis offered at the end of this section.

Revenue

According to the proposed home sizes provided by the Developers, the weighted average size of the proposed homes for three of the developers is approximately 2,200 square feet. Based on the Residential Market section of this report and considering current asking prices, we estimate a typical average-sized home on the subject would contain approximately 2,200 square feet and would have a corresponding base price of $490,000. These estimates will be utilized in the analysis.

Similar to the sales comparison approach, we will use the lots within Village C1 consisting of 87 lots as a benchmark for the remaining lot categories. These lots do not feature any atypical lot premiums such as view or open space frontage and are generally similar in size.

Each homebuilder has models servicing their respective villages with the number of models ranging from two to five. It is estimated three models would service the 87 lots. Upgrade amenity costs are estimated at $50,000. Typically, builders capture approximately 50% of the cost through the sale of the model and the furniture. Although furnishings are a real cost of the model improvements, they are personal property, not real estate. Thus, furnishings are not included in the opinion of value for the model home premiums. Given this consideration, the recapture cost for model homes are typically reduced to 25% to 40% of model improvement costs. Considering the anticipated amount of foot traffic for the subject property, a recapture amount towards the upper end of the range, or 40%, is considered reasonable. Using this percentage, a recapture of $20,000 per model (40% x $50,000) is concluded and will be considered in the estimate of aggregate retail value.

Closing Projections

The typical time required for the construction of units has been approximately three to six months from start to closing. It is assumed that initial closings will occur within three to six months of the date of sale. The premise is that the builder constructs efficiently as homes are sold. These assumptions are reflected in the projected construction schedule shown in the land residual models at the end of this section. Since the land residual analysis is conducted on a quarterly basis, closings are reflected in the following period, as most construction will be substantially completed prior to initiation of sales.

Changes in Market Conditions (Price Increases or Decreases)

The subject's market area has experienced market appreciation in home prices; however, most market participants do not anticipate continued appreciation over the course of the development period. For this reasons, this analysis does not trend prices during the disposition period.

Absorption

Typically multiple product lines would be marketed in a subdivision to create characteristics appealing to as many potential purchasers as possible. Offering home products within a subdivision to different market segments is done with the aim of increasing absorption and reducing the overall development holding period for a project. Based on the typical marketing and absorption rate data presented in the *Residential Market Analysis* section, we estimate an absorption rate of approximately 12 units per period or four units per month for the subject. Further, this is supported by the Market Absorption Study prepared by The Gregory Group for the subject property. Home sales begin in Period 2 as a portion of the lots are not anticipated to be finished until Period 2. With sales beginning in Period 2, the subject's lots sell out in Period 8, with Period 9 needed to complete construction and close escrow.

Expense Projections

As part of an ongoing effort to assemble market information, the table below reflects survey responses and developer budget information for numerous single-family residential subdivisions throughout the Northern California region.

Subdivision Budgets

Developer Classification	Municipality	Budget Date	No. of Units	Quality	Avg. Home Size (SF)	Typical Lot Size	G & A % of Revenue	Mkt & Sales % of Revenue	Direct Costs/SF	Indirect Costs/SF	Indirect % of Direct Costs	Site Costs/Lot	Permits & Fees/Unit	Cost per Model	Profit % of Revenue	Projected Sales/Mo.
Local	Stockton	2020	30	Average	1,643	5,344	0.4%	1.7%	$143.00	$7.39	5%	N/Av	$25,267	N/Av	N/Av	3-4
Regional	Manteca	2020	10	Average	3,127	7,500	N/Av	N/Av	$96.00	$8.64	9%	N/Av	$20,405	N/Av	N/Av	4
Local	Vacaville	2020	51	Average	2,106	6,955	3.3%	4.0%	$91.50	$10.07	11%	$122,885	$66,000	$38,500	20.0%	4
National	Fairfield	2020	14	Average	2,165	3,500	N/Av	3.2%	$95.00	$11.02	12%	N/Av	$68,214	N/Av	N/Av	4
Regional	Galt	2020	112	Average	2,060	6,300	4.6%	4.1%	$80.23	N/Av	10%	$86,830	$63,400	$108,380	13.20%	3
National	Yuba County	2020	100	Average	1,466	3,680	N/Av	N/Av	N/Av	N/Av	N/Av	$41,319	$43,300	N/Av	N/Av	N/Av
National	City of Galt	2020	144	Average	1,800	2,000	N/Av	N/Av	$134.00	N/Av	N/Av	$25,569	$37,700	N/Av	N/Av	N/Av
National	City of Elk Grove	2019	121	Average	2,000	5,775	1.5%	2.6%	$74.00	$10.06	14%	$73,047	$67,278	N/Av	18.8%	N/Av
Regional	San Joaquin County	2019	71	Average	1,989	3,250	N/Av	N/Av	$92.65	N/Av	18%	$60,754	$55,714	N/Av	N/Av	N/Av
Regional	Manteca	2019	84	Average	2,349	5,500	4.0%	2.6%	$90.21	N/Av	14%	N/Av	$46,576	$106,667	12.6%	5.0
Local	Rancho Cordova	2019	48	Average	2,545	7,006	2.1%	5.7%	$88.47	$18.81	21%	$63,645	$72,300	$133,333	6.8%	N/Av
Regional	City of Woodland	2018	112	Average	N/Av	4,800	5.0%	5.0%	$85	N/Av	N/Av	$50,000	$67,000	$40,000	15.0%	4.0
Regional	Gilroy, Santa Clara Co.	2018	96	Average	2,718	5,250	N/Av	N/Av	N/Av	N/Av	N/Av	$101,914	$57,346	N/Av	N/Av	N/Av
Regional	City of Elk Grove	2018	60	Average	2,179	4,775	N/Av	N/Av	$61.52	N/Av	N/Av	$61,030	$65,149	N/Av	N/Av	N/Av
Regional	City of Elk Grove	2018	83	Average	1,728	2,200	N/Av	N/Av	$69.50	N/Av	N/Av	$63,568	$68,864	N/Av	N/Av	N/Av
Regional	Mountain House	2017	94	Average	2,188	2,975	5.0%	6.2%	$80.54	$8.55	11%	N/Av	$35,000	$41,512	10.1%	4.0
Regional	City of Lodi	2016	42	Good	2,152	5,554	N/Av	1.3%	$78.26	$22.53	29%	$46,977	$29,290	$67,500	11.1%	3.0
Local	City of Patterson	2015	74	Entry	2,188	7,150	3.5%	4.0%	$66.67	$5.14	8%	$42,039	$39,501	N/Av	12.2%	N/Av

Information from the survey above will contribute to the estimate of development expenses classified as follows.

General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.0% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. We have used 3.0% for general and administrative expenses.

Marketing and Sale

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. A figure of 6.0%, is estimated in the marketing and sales expense category.

Property Taxes (Ad Valorem and Special Taxes)

The subject is located within an area with an effective tax rate of 1.1497%. This amount is applied to the estimated market values and divided by the total number of units to yield an estimate of ad valorem taxes/unit/year for each phase. The tax amounts are applied to unclosed inventory over the sell-off period. Property taxes are increased by 2% per year. The subject is within the boundary of the include CFD No. 2018-2 (Westlake Villages II) Special Tax A. The special tax for the most recently available tax year amount to $1,700 per unit, which is utilized in the analysis, in addition to $224.19 of additional direct charges and $541 for Special Tax B per unit. It is noted Special Tax A increases at 2% per year, while Special Tax B increases at 4% per year. The total tax expense is gradually reduced over the absorption period, as the land components are sold off.

HOA

A homeowner's association is planned for the subject. According to the developer the estimated HOA fee applicable to the subject property is $120 per home per month, which is similar to other new home projects in the area and is utilized in the analysis.

Permits and Fees

Permits and fees represent all fees payable upon obtaining building permit for the construction of the proposed units and include school fees and any impact fees. As noted, permits and fees due at building permit are projected to total $40,000 per lot.

Direct and Indirect Construction Costs

Recent conversations with homebuilders confirm construction costs have increased over the last 12 months; consequently, based on the cost comparables, and considering the product line under development, a direct cost estimate of $83 per square foot is applied to the 2,200 square foot home.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees

- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator
- Interest reserve

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 12% is considered reasonable for the subject.

Summary

The following chart summarizes the revenue and expenses discussed on the preceding pages.

Revenue & Expense Summary

Revenue						
Home Size (SF)		2,200				
Sale Price (Total Consideration)		$490,000				
Number of Units		87				
	Home Revenue:	$42,630,000				
Lot Premiums		$0				
Model Recapture	(@ 40% of cost)	$60,000				
	Lot Premium and Model Recapture Revenue:	$60,000				
	Total Revenue:	$42,690,000	$490,690 (per unit)			
Expenses				Total Over Sell-Off Period		
General and Administrative	3.0%	of total revenue		$1,280,700		
Marketing and Sales	6.0%	of total revenue		$2,561,400		
Ad Valorem Real Estate Taxes	$1,534	/unit/year		$138,727	(from cash flow)	
Direct Real Estate Tax Charges	$224	/unit/year		$20,271	(from cash flow)	
CFD No. 2018-2 - Special Tax A	$1,700	/unit/year		$153,714	(from cash flow)	
CFD No. 2018-2 - Special Tax B	$541	/unit/year		$49,126	(from cash flow)	
HOA	$120	/unit/month		$129,600	(from cash flow)	
Model Costs	3	models		$150,000	$50,000 (per model)	
Site Development Costs				$0	$0 (per unit)	
Permits and Fees				$3,480,000	$40,000 (per unit)	
Subtotal:				$7,963,539		
Construction Expenses						
Direct Construction Costs				$15,886,200	$182,600 (per unit)	$83 per SF
Indirect Construction Costs (Total)	12%	of Direct Costs		$1,906,344	$21,912 (per unit)	(from cash flow)
Subtotal:				$17,792,544		
			Total Expenses:	$25,756,083		

Developer's Incentive and Discount Rate

Developer's Incentive

When employing a land residual analysis, most market participants (homebuilders) analyze projects based on an expected increment of profit and a cost-of-funds discount rate. The developer's profit is expressed as a percent of sales revenue and is included as an expense deduction. The cost-of-funds rate is used to discount each year of net income to present value. This methodology differs from the subdivision development method, in which most market participants (typically land developers) employ a yield rate or internal rate of return (IRR) inclusive of developer's profit, and do not deduct profit as a line item expense.

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. This is consistent with our survey presented earlier in this section, which ranged from 6.8% to 18.8%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

The prior table at the beginning of the Expense Projections discussion includes survey results for profit expectations of active home builders in the region. Based on the preceding discussion and developer surveys, we have concluded an estimate of 10% for developer's incentive.

Discount Rate (Cost of Funds)

A discount rate will be employed to convert future cash flows to present value, thus reflecting the time value of money. An appropriate discount rate should reflect the cost of funds under current market conditions. For a cost of funds index, we will use the 11th District Cost of Funds Index (COFI), which is a standard financial index widely used in U.S. capital markets as a benchmark for adjustable-rate loans. Lenders use such an index to adjust interest rates as economic conditions change. Lenders add a certain number of percentage points, or margin, to the index to establish interest rates. The 11th District COFI was 0.46% as of March 2021. A typical margin used by banks is about 250 to 350 basis points, or 2.5% to 3.5% not including additional points or fees. Considering the likelihood of additional points and fees, we will employ a discount rate (cost of funds) of 5.0% in the land residual analysis.

Conclusion

The land residual analysis is presented as follows:

Land Residual Analysis

Quarter:	0	1	2	3	4	5	6	7	8	9	Total
REVENUE AND SALES											
Sales - Detached	0	12	12	12	12	12	12	12	3	0	87
Unsold Inventory	87	75	63	51	39	27	15	3	0	0	
Close of Escrow (COE)	0	0	12	12	12	12	12	12	12	3	87
Pending/Under Construction	0	12	12	12	12	12	12	12	3	0	
Under Construction by %		13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%	3.4%	0.0%	100.0%
Unclosed Inventory		87	75	63	51	39	27	15	3	0	
Contracted Base Revenue		$0	$5,880,000	$5,880,000	$5,880,000	$5,880,000	$5,880,000	$5,880,000	$5,880,000	$1,470,000	$42,630,000
Lot Premium and Model Recapture Revenue		$0	$0	$0	$0	$0	$0	$0	$0	$60,000	$60,000
Total Revenue		$0	$5,880,000	$5,880,000	$5,880,000	$5,880,000	$5,880,000	$5,880,000	$5,880,000	$1,530,000	$42,690,000
EXPENSES AND CASH FLOWS											
Fixed or Percentage Expenses											
General and Administrative	3%	($142,300)	($142,300)	($142,300)	($142,300)	($142,300)	($142,300)	($142,300)	($142,300)	($142,300)	($1,280,700)
Marketing and Sales	6%	$0	($352,800)	($352,800)	($352,800)	($352,800)	($352,800)	($352,800)	($352,800)	($91,800)	($2,561,400)
Ad Valorem Real Estate Taxes	$1,534	($33,370)	($28,767)	($24,165)	($19,562)	($15,258)	($10,563)	($5,869)	($1,174)	$0	($138,727)
Direct Real Estate Tax Charges	$224	($4,876)	($4,204)	($3,531)	($2,858)	($2,230)	($1,544)	($858)	($172)	$0	($20,271)
CFD No. 2018-2 - Special Tax A	$1,700	($36,975)	($31,875)	($26,775)	($21,675)	($16,907)	($11,705)	($6,503)	($1,301)	$0	($153,714)
CFD No. 2018-2 - Special Tax B	$541	($11,762)	($10,140)	($8,518)	($6,895)	($5,484)	($3,796)	($2,109)	($422)	$0	($49,126)
HOA per Month	$120	($31,320)	($27,000)	($22,680)	($18,360)	($14,040)	($9,720)	($5,400)	($1,080)	$0	($129,600)
Model Costs		($150,000)	$0	$0	$0	$0	$0	$0	$0	$0	($150,000)
Site Development Costs		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Building Permits		($480,000)	($480,000)	($480,000)	($480,000)	($480,000)	($480,000)	($480,000)	($120,000)	$0	($3,480,000)
Subtotal:		($890,604)	($1,077,086)	($1,060,768)	($1,044,450)	($1,029,018)	($1,012,428)	($995,838)	($619,248)	($234,100)	($7,963,539)
Construction Expenses											
Direct Construction Costs		($2,191,200)	($2,191,200)	($2,191,200)	($2,191,200)	($2,191,200)	($2,191,200)	($2,191,200)	($547,800)	$0	($15,886,200)
Indirect Construction Costs	12%	($262,944)	($262,944)	($262,944)	($262,944)	($262,944)	($262,944)	($262,944)	($65,736)	$0	($1,906,344)
Subtotal:		($2,454,144)	($2,454,144)	($2,454,144)	($2,454,144)	($2,454,144)	($2,454,144)	($2,454,144)	($613,536)	$0	($17,792,544)
Total Expenses		($3,344,748)	($3,531,230)	($3,514,912)	($3,498,594)	($3,483,162)	($3,466,572)	($3,449,982)	($1,232,784)	($234,100)	($25,756,083)
NET INCOME BEFORE DEVELOPER'S INCENTIVE		($3,344,748)	$2,348,770	$2,365,088	$2,381,406	$2,396,838	$2,413,428	$2,430,018	$4,647,216	$1,295,900	$16,933,917
Total Project Incentive	10.00%	$0	($588,000)	($588,000)	($588,000)	($588,000)	($588,000)	($588,000)	($588,000)	($153,000)	($4,269,000)
NET INCOME (BEFORE DISCOUNTING)		($3,344,748)	$1,760,770	$1,777,088	$1,793,406	$1,808,838	$1,825,428	$1,842,018	$4,059,216	$1,142,900	$12,664,917
Present Value Factors											
Discount Rate (Cost of Borrowed Funds)	5.00%	0.98765	0.97546	0.96342	0.95152	0.93978	0.92817	0.91672	0.90540	0.89422	
Discounted Cash Flow		($3,303,454)	$1,717,563	$1,712,079	$1,706,469	$1,699,905	$1,694,317	$1,688,608	$3,675,208	$1,022,005	$11,612,698
Net Present Value											**$11,610,000**
											$133,448

Reconciliation of Lot Value

Based on the preceding analysis, at $133,448, the estimate of the land residual value represents a difference of approximately 1% of the sales comparison approach estimate ($132,000). The land residual analysis is considered generally supportive of the sales comparison approach, which will be relied upon in our final conclusion of value. Therefore, we will rely on our previous estimates of the lot values concluded in the sales comparison approach.

Village C2 has a typical lot size of 5,225 square feet but has 43 lots with a waterfront premium. Village F has a typical lot size of 4,500 square feet but is located in the interior of the master plan community. Village D is considered to be similar to the benchmark lot category.

The value estimates for the subject's remaining Villages, with varying features from the Benchmark category (Village C1), was concluded by applying adjustments for characteristics different from the Benchmark estimate. Thus, Village C2 with larger lots and several premium lots (waterfront) are judged to be incrementally more valuable than the Benchmark lots. Further, we anticipate the lots within Villages D and F to be similar to the concluded value of the lots within Village C1. It should be noted that Village D lots have offsetting inferior and superior characteristics (smaller lot size positioned at the interior of the master plan (superior project location)) relating to the Benchmark lots and are therefore deemed overall similar in desirability and value to C1. Based on the discussion above, our concluded value estimate for each category is displayed in the following table, along with the finished lot indicators after deducting permits and fees. Our concluded lot values for each village is shown in the table below.

Lot Value Conclusions

	Village C1 / D	Village C2	Village F
Concluded Loaded Lot Value	$172,000	$182,000	$172,000
Less: Permits & Fees	($40,000)	($40,000)	($40,000)
Indicated Value	$132,000	$142,000	$132,000
(Rd.)	**$132,000**	**$142,000**	**$132,000**

Conclusion of Value

In this section, the previously concluded market values will be allocated to each ownership group comprising the appraised properties in order to provide a market value of the appraised properties by ownership and parcel. A summary of the various ownership group holdings is provided in the following table.

Owners of Record

Owners of Record	Village	Vacant Finished Lots	Homes Under Construction	Completed Homes	Total
Richmond American Homes	C1	4	35	2	41
Caresco Homes	C1	20	18	2	40
Lennar Homes	C2	54	29	5	88
DR Horton	F	41	31	-	72
EMDI*	F	44	-	-	44
Individual Homeowners	C1/C2/D/F	-	-	92	92
Total		163	113	101	377

*Master Developer

To arrive at the market value by ownership, we apply the previously concluded finished lot values to each ownership's respective vacant finished lots and we apply that same value to the homes under construction because we do not consider any contributory value to any structural improvements. In this portion of the analysis, the partially improved lots are assigned finished lot values as this forms the basis for the revenue component of the subdivision development method to be presented in the following section, from which remaining costs will be deducted.

In light of the fact the merchant builders and the master developer have a number of lot(s) that could sell in bulk to one buyer within 12 months, no additional discounting is necessary beyond the market value, in bulk, because the number of lots within each holding represents a typical number of lots in a single transaction.

As previously stated, the master developer noted there is $50,000 in remaining site development associated with the landscaping along Scott Creek Drive. This amount, when considered on a project wide basis equates to $133 per lot ($50,000 / 377). This nominal amount for remaining site development costs is considered in our value estimate rounding.

Based on the previous analyses, the estimates of market value, by ownership, subject to the impact of the Lien of the Special Tax securing the City of Stockton Improvement Area 1 of CFD 2018-2 (Westlake Villages II) Bonds, as of the date of value, March 29, 2021, are presented in the following table.

Value by Ownership

	Lots/Parcels	Lot Value	Market Value
Richmond American Homes			
Finished Lots	4	$132,000	$528,000
Homes Under Construction	35	$172,000	$6,020,000
Completed Homes	2	$490,000	$980,000
Total	*41*		**$7,528,000**
DR Horton			
Finished Lots	41	$132,000	$5,412,000
Homes Under Construction	31	$172,000	$5,332,000
Total	*72*		**$10,744,000**
Lennar Homes			
Finished Lots	54	$142,000	$7,668,000
Homes Under Construction	29	$182,000	$5,278,000
Completed Homes	5	$420,000	$2,100,000
Total	*88*		**$15,046,000**
Caresco Homes			
Finished Lots	*20*	$132,000	$2,640,000
Homes Under Construction	*18*	$172,000	$3,096,000
Completed Homes	*2*	$470,000	$940,000
Total	*40*		**$6,676,000**
EMDI*			
Finished Lots	44	$132,000	$5,808,000
Total			**$5,808,000**
Individual Homeowners			
Completed Homes (Sold) - Village C1 (Caresco)	6	$470,000	$2,820,000
Completed Homes (Sold) - Village C2	13	$420,000	$5,460,000
Completed Homes (Sold) - Village D	73	$478,000	$34,894,000
Total	*92*		**$43,174,000**

*Master Developer

Value by Ownership

Owner	Total Market Value	
Richmond American Homes	$7,528,000	Not-Less-Than Market Value
DR Horton	$10,744,000	
Lennar Homes	$15,046,000	Not-Less-Than Market Value
Caresco Homes	$6,676,000	Not-Less-Than Market Value
Individual Homeowners	$43,174,000	Not-Less-Than Market Value
Master Developer (EMDI)	$5,808,000	
Total Aggregate Value	**$88,976,000**	

As a result of our analysis, it is our opinions the cumulative, or aggregate, value of the appraised properties, in accordance with the assumptions and conditions set forth in the attached document, as of March 29, 2021, is as follows:

Value Conclusion

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Total Aggregate Value	Fee Simple	March 29, 2021	$88,976,000

The estimates of market value, by ownership, estimated herein specifically assume the appraised properties within the boundaries of Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) are not marketed concurrently, which would suggest a market under duress.

Extraordinary Assumptions and Hypothetical Conditions

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. It is presumed there are no adverse soil conditions, toxic substances or other environmental hazards that may interfere or inhibit development of the subject property. If, at some future date, items are discovered that are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion of value stated herein.

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. The market value estimated herein is 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 the analysis.” It is a hypothetical condition of the Appraisal that certain proceeds from the Bonds will be used to reimburse for public infrastructure improvements completed. The estimates of value herein account for the impact of the lien of the special taxes securing the Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) Special Tax Bonds.

This estimate of value above represents a “not-less-than” value due to the fact we were requested to provide a market value of the smallest floor plan for each single-family residential lot improved with a completed home with an incomplete assessed value for land and improvements.

The market value of the appraised properties by Assessor’s parcel can be found in the Addenda of this Appraisal Report. Any properties within the CFD not subject to the Lien of the Special Tax securing the Bonds (public and quasi-public land use sites), are not a part of this appraisal.

Please note the aggregate value noted herein ***is not*** the market value of the appraised properties in bulk. As defined by The Dictionary of Real Estate Appraisal, an aggregate value is the “total of multiple market value conclusions.” For purposes of this report, market value is estimated by ownership. The estimates of market value account for the impact of the Lien of the Special Taxes securing the

Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) Special Tax Bonds.

Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local land market, it is our opinion that the probable exposure time for the subject at the concluded market values stated previously is 12 months.

Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject in bulk is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 12 months.

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.
4. 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.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. 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.
8. 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 appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Blake Fassler made a personal inspection of the property that is the subject of this report. Kevin Ziegenmeyer, MAI, has personally inspected the subject. Eric Segal, MAI, also inspected the subject property.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Kevin Ziegenmeyer, MAI, and Eric Segal, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.

Blake Fassler
Certified General Real Estate Appraiser
California Certificate # 3007274

Kevin Ziegenmeyer, MAI
Certified General Real Estate Appraiser
California Certificate # AG013567

Eric Segal, MAI
Certified General Real Estate Appraiser
California Certificate # AG026558

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.

8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.

9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.

10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.

11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.

12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.

13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.

14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.

15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.

16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.

17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Sacramento, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.

21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

22. Integra Realty Resources – Sacramento is not a building or environmental inspector. Integra Sacramento does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.

23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. Integra Realty Resources – Sacramento, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

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

28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

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. It is presumed there are no adverse soil conditions, toxic substances or other environmental hazards that may interfere or inhibit development of the subject property. If, at some future date, items are discovered that are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion of value stated herein.

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. The market value estimated herein is 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 the analysis." It is a hypothetical condition of the Appraisal that certain proceeds from the Bonds will be used to reimburse for public infrastructure improvements completed. The estimates of value herein account for the impact of the lien of the special taxes securing the Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) Special Tax Bonds.

Addendum A

Appraiser Qualifications

Blake Fassler

Experience

Mr. Fassler is a licensed appraiser with Integra Realty Resources, a real estate appraisal firm that engages in a wide variety of real estate valuation and consultation assignments. He began his appraisal career in March 2017 with Seevers Jordan Ziegenmeyer in Rocklin, California. Currently, Mr. Fassler is obtaining experience in the valuation and analysis of various types of real estate by working on a wide variety of property typed including, but not limited to: multifamily, office, retail, industrial, vacant land, and residential subdivisions.

Licenses

California, Certified General Real Estate Appraiser, 3007274, Expires February 2022

Education

Bachelor of Science in Management Science University of California, San Diego

Appraisal Courses Completed are as follows:

Basic Appraisal Principles
Basic Appraisal Procedures
General Appraiser Market Analysis & Highest and Best Use
(USPAP), Uniform Standards of Professional Appraisal Practice
General Appraiser Report Writing and Case Studies
General Appraiser Site Valuation and Cost Approach
General Appraiser Sales Comparison Approach
General Appraiser Income Approach Part 1
General Appraiser Income Approach Part 2
4-Hour Federal and California Statutory and Regulator Laws

Integra Realty Resources
Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

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irr.com

bfassler@irr.com - 916-505-4471

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Blake A. Fassler

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: 3007274

Effective Date: February 26, 2020
Date Expires: February 25, 2022

Jim Martin, Bureau Chief, BREA

3051634

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Kevin Ziegenmeyer, MAI

Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2021

Education

Academic:
Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:
Standards of Professional Practice, Parts A, B & C
Basic Valuation Procedures
Real Estate Appraisal Principles
Capitalization Theory and Techniques, Part A
Advanced Income Capitalization
Report Writing and Valuation Analysis
Advanced Applications
IRS Valuation Summit I & II
2008, 2009, 2010 & 2011 Economic Forecast
Business Practices and Ethics
Contemporary Appraisal Issues with Small Business Administration Financing
General Demonstration Appraisal Report Writing Seminar
7-Hour National USPAP Update Course
Valuation of Easements and Other Partial Interests
2009 Summer Conference
Uniform Appraisal Standards for Federal Land Acquisitions
2008 Economic Update
Valuation of Conservation Easements
Subdivision Valuation
2005 Annual Fall Conference
General Comprehensive Exam Module I, II, III & IV
Advanced Income Capitalization
Advanced Sales Comparison & Cost Approaches
2004 Central CA Market Update
Computer-Enhanced Cash Flow Modeling
Forecast 2000, 2001, 2002, 2003 & 2004
Land Valuation Assignments

kziegenmeyer@irr.com - 916-435-3883 x224

Integra Realty Resources
Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916-435-3883
F 916-435-4774

irr.com

Kevin Ziegenmeyer, MAI

Education (Cont'd)

Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

Integra Realty Resources
Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916-435-3883
F 916-435-4774

irr.com

kziegenmeyer@irr.com - 916-435-3883 x224

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Kevin K. Ziegenmeyer

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 013567

Effective Date: June 5, 2019
Date Expires: June 4, 2021

Jim Martin, Bureau Chief, BREA

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Eric Segal, MAI

Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office and Senior Managing Director of the Integra-Sacramento office.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

Licenses

California, Certified General, AG026558, Expires February 2023
Nevada, Certified General, A.0207666-CG, Expires January 2023
Washington, Certified General, 20100611, Expires June 2021
Arizona, Certified General, CGA - 1006422, Expires January 2022

Education

Academic:
Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:
Uniform Standards of Professional Appraisal Practice
Appraisal Principles
Basic Income Capitalization
Highest & Best Use and Market Analysis
Advanced Income Capitalization
Report Writing and Valuation Analysis
Self-Storage Economics and Appraisal Seminar
Appraisal Litigation Practice and Courtroom Management
Hotel Valuations: New Techniques for today's Uncertain Times
Computer Enhanced Cash Flow Modeling
Advanced Sales Comparison & Cost Approaches
Advanced Applications
Supervisor-Trainee Course for California

Integra Realty Resources - Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916-435-3883
F 916-435-4774

irr.com

esegal@irr.com - 916-435-3883 x228

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Eric A. Segal

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2021
Date Expires: February 18, 2023

Loretta Dillon, Deputy Bureau Chief, BREA

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About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

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Addendum B

Definitions

Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

As Is Market Value
The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Disposition Value
The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date
1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

Entitlement
In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

Entrepreneurial Incentive
The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's*

profit) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. The amount of entrepreneurial incentive required for a project represents the economic reward sufficient to motivate an entrepreneur to accept the risk of the project and to invest the time and money necessary in seeing the project through to completion.

Entrepreneurial Profit

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.
2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Highest and Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)

3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

Investment Value

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

Lease

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Marketing Time
An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

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

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in 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: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Prospective Opinion of Value
A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Addendum C

Comparable Data

Land Sale Profile

Sale No. 1

Location & Property Identification

Property Name:	Westlake Villages - Village M
Sub-Property Type:	Residential, Residential Subdivision
Address:	Westlake Dr.
City/State/Zip:	Stockton, CA 95219
County:	San Joaquin
Market Orientation:	Suburban
IRR Event ID:	2632552

Sale Information

Sale Price:	$5,880,000
Effective Sale Price:	$5,880,000
Sale Date:	03/23/2021
Sale Status:	In-Contract
$/Acre(Gross):	$317,838
$/Land SF(Gross):	$7.30
$/Building SF:	$1,069.09
$/Unit:	$70,000 /Unit
Grantor/Seller:	Stockton Westlake Investment LLC
Grantee/Buyer:	Meritage Homes
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Deed
Verified By:	Blake Fassler
Verification Date:	03/23/2021
Verification Type:	Confirmed-Seller

Improvement and Site Data

Legal/Tax/Parcel ID:	066-050-090
Acres(Gross):	18.50
Land-SF(Gross):	805,860
Potential Building SF:	5,500
No. of Units (Potential):	84
Zoning Code:	MX
Zoning Desc.:	Mixed use
Source of Land Info.:	Public Records

Comments

This is a sale of 84 paper lot that are under contract for $70,000 per lot. The lots are projected to close escrow by August of 2021. It is estimated there is $56,000 per lot in site development costs to get the lots to finished condition. The permits and fees are estimated at $40,000 per lot and the annual special assessments are estimated at $1,700 per lot. The lots have a typical lot size of 5,500 square feet.

Land Sale Profile

Sale No. 2

Location & Property Identification

Property Name:	Westlake Villages II - Village C2
Sub-Property Type:	Residential, Residential Subdivision
Address:	Monomoy Way
City/State/Zip:	Stockton, CA 95219
County:	San Joaquin
Market Orientation:	Suburban
IRR Event ID:	2466674

Sale Information

Sale Price:	$6,710,000
Effective Sale Price:	$6,710,000
Sale Date:	03/09/2021
Sale Status:	Closed
Eff. Price/Unit:	$167,750 /Unit
$/Acre(Gross):	$260,684
$/Land SF(Gross):	$5.98
$/Building SF:	$1,284.21
$/Unit:	$110,000 /Unit
Grantor/Seller:	Eight Mile Development, Inc
Grantee/Buyer:	Lennar
Portfolio Sale:	No
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Deed
Verified By:	Blake Fassler
Verification Date:	03/22/2021
Verification Type:	Confirmed-Seller

Improvement and Site Data

Acres(Gross):	25.74
Land-SF(Gross):	1,121,234
Potential Building SF:	5,225
No. of Units (Potential):	61
Density-Unit/Gross Acre:	1.55
Zoning Code:	MX
Zoning Desc.:	Mixed Use
Source of Land Info.:	Public Records

Comments

This sale represents the second phase of a two phased transaction of 101 lots within Village C2 of Westlake Villages II. The first phase consisted of 40 finished lots that transferred in June of 2020. The second phase consisted of 61 lots and was purchased for $6,710,000 ($110,000 per lot). The sale is an arm's length transaction with no unusual motivations. It is noted that these lots have a lot premium with 43 of the lots having a waterfront lot premium. The typical lot size is 5,225 square feet. Permits and fees are estimated at $40,000. Annual special taxes are estimated at $1,700 per lot.

Land Sale Profile

Sale No. 3

Location & Property Identification

Property Name:	Westlake Villages II - Village C1
Sub-Property Type:	Residential, Residential Subdivision
Address:	Scott Creek Dr.
City/State/Zip:	Stockton, CA 95219
County:	San Joaquin
Market Orientation:	Suburban
IRR Event ID:	2466657

Sale Information

Sale Price:	$1,951,240
Effective Sale Price:	$1,951,240
Sale Date:	12/15/2020
Sale Status:	Closed
Eff. Price/Unit:	$75,048 /Unit
$/Acre(Gross):	$220,729
$/Land SF(Gross):	$5.07
$/Building SF:	$373.44
$/Unit:	$97,562 /Unit
Grantor/Seller:	Eight Mile Development, Inc
Grantee/Buyer:	Caresco
Portfolio Sale:	No
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Deed
Verified By:	Blake Fassler
Verification Date:	06/22/2020
Verification Type:	Confirmed-Seller

Improvement and Site Data

Acres(Gross):	8.84
Land-SF(Gross):	385,070
Potential Building SF:	5,225
No. of Units (Potential):	20
Density-Unit/Gross Acre:	2.94
Zoning Code:	MX
Zoning Desc.:	Mixed Use
Source of Land Info.:	Owner

Comments

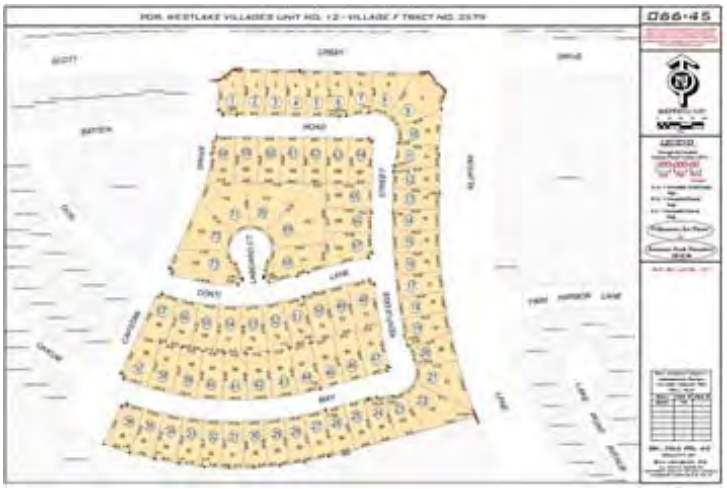
This sale represents the second phase of a two phased transaction of 46 lots within Village C1 of Westlake Villages II. The first phase consisted of 26 finished lots that transferred in May of 2020. The second phase consisted of 20 lots and was purchased for $1,951,240 ($97,562 per lot). The sale is an arm's length transaction with no unusual motivations. The typical lot size is 5,225 square feet. Permits and fees are estimated at $40,000. Annual special taxes are estimated at $1,700 per lot.

Land Sale Profile

Sale No. 4

Location & Property Identification

Property Name:	Westlake Villages II - Village F
Sub-Property Type:	Residential, Residential Subdivision
Address:	Capstan Dr.
City/State/Zip:	Stockton, CA 95219
County:	San Joaquin
Market Orientation:	Suburban
IRR Event ID:	2632015



Potential Building SF:	4,500
No. of Units (Potential):	72
Zoning Code:	MX
Zoning Desc.:	Mixed Use
Source of Land Info.:	Public Records

Sale Information

Sale Price:	$7,452,000
Effective Sale Price:	$7,452,000
Sale Date:	10/29/2020
Sale Status:	Closed
$/Acre(Gross):	$525,900
$/Land SF(Gross):	$12.07
$/Building SF:	$1,656.00
$/Unit:	$103,500 /Unit
Grantor/Seller:	Eight Mile Development, Inc
Grantee/Buyer:	DR Horton
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Deed
Verified By:	Blake Fassler
Verification Date:	03/22/2021
Verification Type:	Confirmed-Seller

Comments

A portion of Village F comprised of 72 finished lots with a typical lot size of 4,500 square feet, was purchased by DR Horton from EMDI for $7,452,000 ($103,500 per lot for the 72 lots). The lots transferred in finished condition. DR Horton is expected to exercise their option to purchase the remaining 44 lots within Village F at the same per lot price in August of 2021. Permits and fees are estimated at $40,000 per lot and annual special taxes are estimated at $1,700 per lot.

Improvement and Site Data

Legal/Tax/Parcel ID:	066-450-010 through -73, 066-460-010 through -43
Acres(Gross):	14.17
Land-SF(Gross):	617,245

Land Sale Profile

Sale No. 5

Location & Property Identification

Property Name:	Sundance, Unit 5
Sub-Property Type:	Residential, Residential Subdivision
Address:	W. Atherton Dr.
City/State/Zip:	Manteca, CA 95337
County:	San Joaquin
Market Orientation:	Suburban
IRR Event ID:	2326922

Sale Information

Sale Price:	$14,190,000
Effective Sale Price:	$14,190,000
Sale Date:	06/19/2020
Contract Date:	11/30/2019
Sale Status:	Closed
$/Acre(Gross):	$660,615
$/Land SF(Gross):	$15.17
$/Acre(Usable):	$660,615
$/Land SF(Usable):	$15.17
$/Building SF:	$3,153.33
$/Unit:	$110,000 /Improved Lot
Grantor/Seller:	Beacon Land Company
Grantee/Buyer:	Meritage Homes of California
Assemblage:	No
Portfolio Sale:	No
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Deed
Recording No.:	72566
Verified By:	Kari Tatton
Verification Date:	02/01/2020
Confirmation Source:	Beacon
Verification Type:	Confirmed-Seller

Sale Analysis

Sale Price Includes FF&E?	No

Improvement and Site Data

Legal/Tax/Parcel ID:	226-160-29
Acres(Usable/Gross):	21.48/21.48
Land-SF(Usable/Gross):	935,668/935,668
Usable/Gross Ratio:	1.00
Potential Building SF:	4,500
No. of Units (Potential):	129
Shape:	Irregular
Topography:	Level
Corner Lot:	No
Frontage Feet:	1271
Frontage Desc.:	Atherton
Zoning Code:	PD
Zoning Desc.:	Planned Development
Flood Plain:	Yes
Flood Zone Designation:	X (Shaded)
Comm. Panel No.:	60706
Date:	10/16/2009
Source of Land Info.:	Engineering Report

Comments

This comparable represents Unit 5 of the Sundance development, which consists of 129 lots (typical lot size of 4,500). The lots transferred in finished condition.

Comments (Cont'd)

Permits and fees average $55,602/lot and annual special assessments are $1,331/lot.

Land Sale Profile

Sale No. 6

Location & Property Identification

Property Name:	Westlake Villages II - Village C1 (Portion)
Sub-Property Type:	Residential, Residential Subdivision
Address:	Scott Creek Dr.
City/State/Zip:	Stockton, CA 95219
County:	San Joaquin
Market Orientation:	Suburban
IRR Event ID:	2466640

Sale Information

Sale Price:	$4,100,000
Effective Sale Price:	$4,100,000
Sale Date:	05/13/2020
Sale Status:	Closed
Eff. Price/Unit:	$100,000 /Unit
$/Acre(Gross):	$520,966
$/Land SF(Gross):	$11.96
$/Unit:	$100,000 /Unit
Grantor/Seller:	Eight Mile Development, Inc
Grantee/Buyer:	Richmond American Homes
Assemblage:	No
Portfolio Sale:	No
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Deed
Verified By:	Blake Fassler
Verification Date:	06/22/2020
Confirmation Source:	Master Developer
Verification Type:	Confirmed-Seller

Improvement and Site Data

Acres(Gross):	7.87
Land-SF(Gross):	342,817
No. of Units (Potential):	41
Density-Unit/Gross Acre:	5.21
Zoning Code:	MX
Zoning Desc.:	Mixed Use
Source of Land Info.:	Owner

Comments

This sale represents 41 lots within Village C1 of Westlake Village. The sale is an arm's length transaction with no unusual motivations. The lots transferred in finished condition. The typical lot size is 5,225 square feet. Permits and fees are estimated at $40,000. Annual special taxes are estimated at $1,700 per lot.

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APPENDIX C

THE ABSORPTION REPORT

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February 2021

Westlake Villages

Prepared for the City of Stockton

Stockton, California

THE Gregory Group

This analysis was prepared by The Gregory Group, a market research firm that specializes in providing information and consulting services to the building industry. The Gregory Group provides quarterly market analysis for northern California; compiles a quarterly new-home database for MSA's within northern California and performs consulting and feasibility analysis throughout northern California.

The Gregory Group was commissioned by the City of Stockton to perform Market Absorption Study Services related to residential development within the Westlake Villages master planned community. Westlake Villages is located south of Eight Mile Road and west of Regatta Lane (and further west of Interstate 5) in the City of Stockton. The entire Westlake Villages community includes a total of 2,163 units on 681.7-acres (a density of 3.17 units per acre). The residential portion of the project is planned to include 465.7-acres and in addition to the residential uses, the project is planned to include parks (12.8-acres), open space/recreation/lakes (108.7-acres), public uses (77.4-acres) and commercial/recreation (17.1-acres).

This analysis is concerned with Westlake Villages II which is planned to include a total of 377 single-family homes including the following:

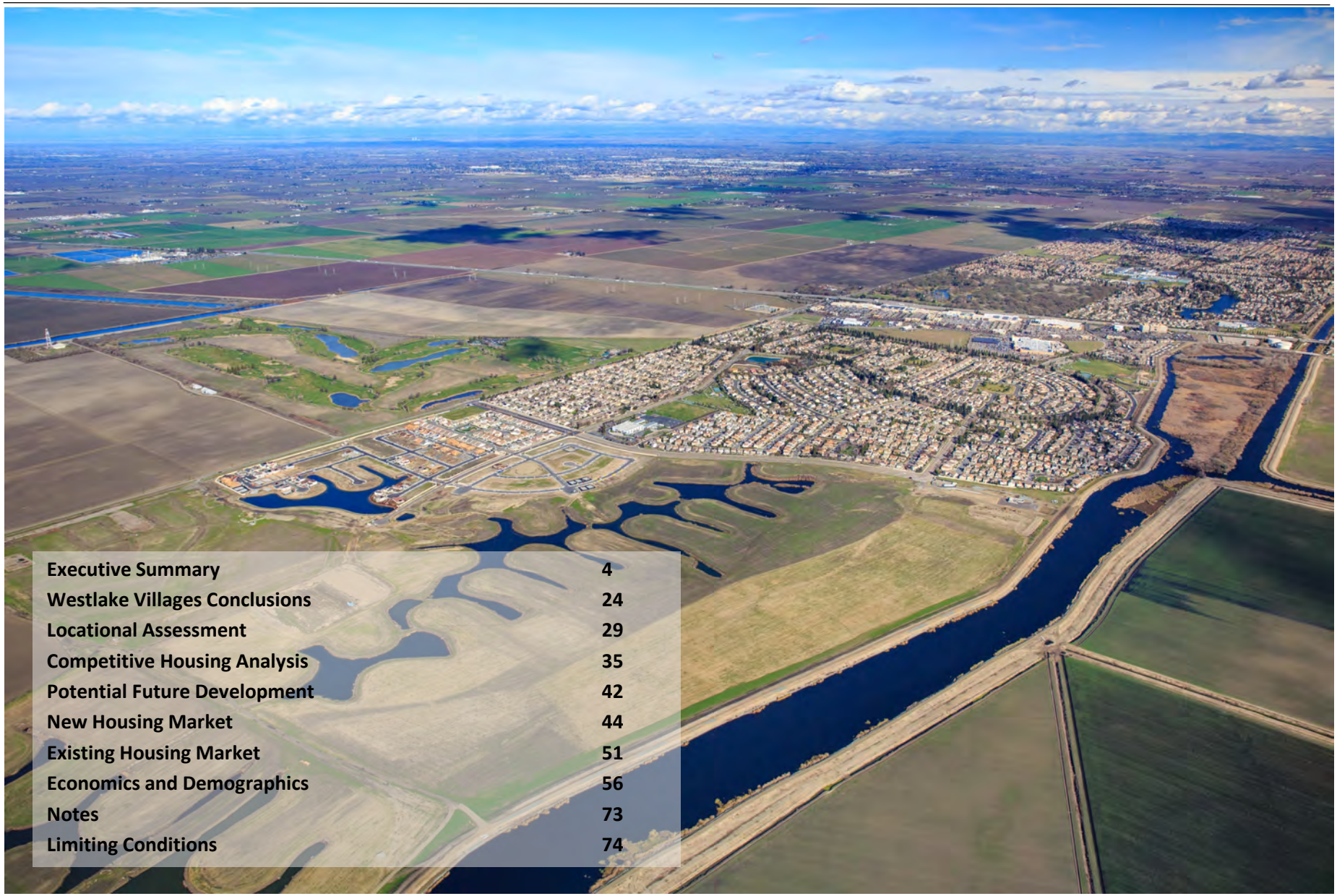
- Village D: 73 units on 5,225 square foot lots (in a 55-foot wide by 95-foot deep configuration) and homes sized from 1,893 to 2,483 square feet developed by FCB Homes (this project, Regatta, has sold out).
- Village C1: 41 units on 5,225 square foot lots (in a 55-foot wide by 95-foot deep configuration) and homes sized from 2,080 to 3,040 square feet to be developed by Richmond American Homes (this project, Seasons, has begun sales).
- Village C1: 46 units on 5,225 square foot lots (in a 55-foot wide by 95-foot deep configuration) and homes sized from 1,838 to 2,660 square feet to be developed by Caresco Homes (this project, The Cove, has begun sales).
- Village C2: 101 units on 5,225 square foot lots (in a 55-foot wide by 95-foot deep configuration) and homes sized from 1,662 to 3,156 square feet to be developed by Lennar Homes (this project, The Keys, has begun sales).
- Village F: 116 units on 4,500 square foot lots (in a 45-foot wide by 100-foot deep configuration) to be developed by D.R. Horton Homes (this project has not yet begun sales).

The primary objective of this analysis is to provide conclusions related to absorption per project per year.

Contact Information

Greg Paquin, President, conducted the analysis and developed conclusions. Follow-up questions can be directed to:

Greg Paquin at 916.983.3524 or gpaq@thegregorygroup.com



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Executive Summary

COVID-19 (Coronavirus)

On December 29th of 2019, Chinese authorities identified a small cluster of similar cases of pneumonia in the city of Wuhan, Hubei Province, China; a city with a population of 11 million residents. On December 31st, Chinese authorities alerted the World Health Organization (WHO) to the cluster of cases that had been associated with the local seafood and animal market. The first case outside of China was reported in Thailand on January 13, 2020 and on January 30, 2020 the WHO declared a global health emergency associated with the virus. A month and a half later on March 11th, the WHO declared COVID-19 a pandemic.

Recent evidence suggests that the pandemic predated the December 2019 timeline and the Huanan Seafood Wholesale Market may not be the origination point. The first person classified with COVID-19 reported being ill on December 1, 2019 and this individual had no connection to the wet market cluster. In fact, blood samples taken from patients in Italy (from September 2019) have been re-tested and led to the discovery of COVID-19 antibodies suggesting that the virus may have been in Europe as early as the summer of 2019.

By definition, a novel coronavirus is a disease caused by a new infectious virus (a coronavirus is a large family of zoonotic viruses which have the ability to transfer from animals to humans): the current coronavirus is called COVID-19 (coronavirus disease 2019) and is caused by Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2). COVID-19 is a contagious respiratory and vascular disease that spreads mainly through the air via small droplets or aerosols and can cause illnesses that vary in severity, ranging from those that exhibit no symptoms (asymptomatic), to those that exhibit only mild flu like symptoms to those that become extremely ill, in need of hospitalization and a ventilator and even die.

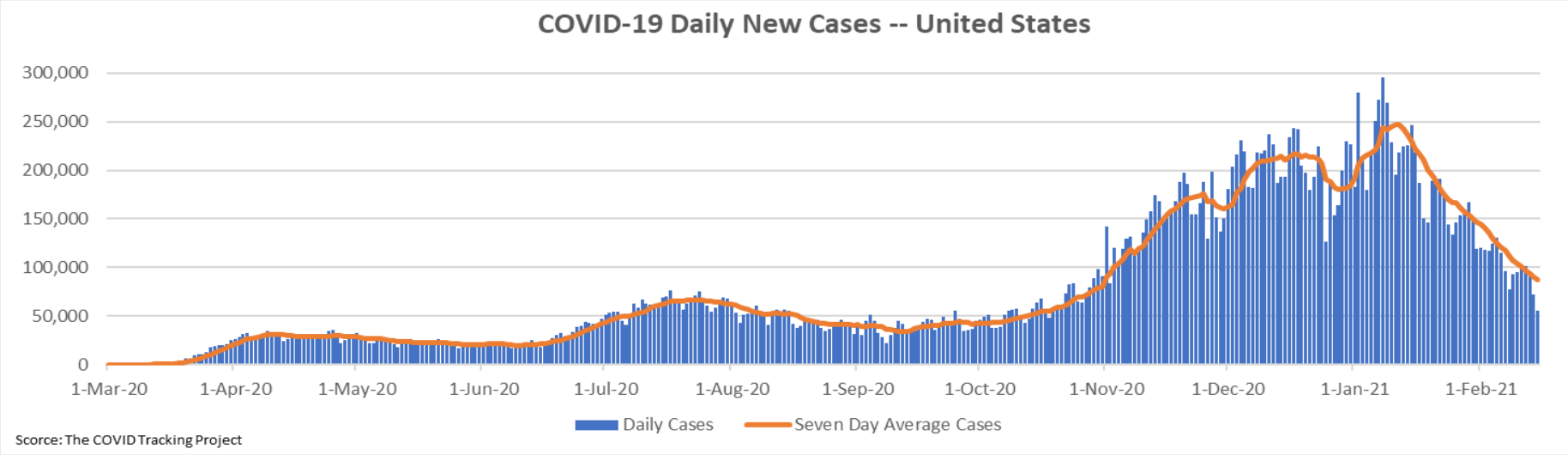
As a pathogen, it is highly effective because it is self-replicating (once the virus infects the host, the host becomes a cellular manufacture of the virus) and can spread as early as two-days before infected individuals show any symptoms (pre-symptomatic) and from individuals with no symptoms (asymptomatic). Individuals remain infected for up to ten-days (moderate cases) and two-weeks (severe cases). COVID-19 is highly infectious (from person to person) and is estimated to have a RO (basic replication number: the expected number of cases directly generated by one-case in a population where all individuals are susceptible to infection) of between 1.4 and 2.5 as of January 2020 (the common flu has a RO value of 1.3); meaning that every person that has the disease can spread it to between 1.4 and 2.5 other individuals. A more reliable number may be the R value (effective reproduction number: which accounts for effects such as social distancing and herd immunity and is the average number of new infections caused by a single infected individual at a specific time in a partially susceptible population). Some countries had a R value of one or less in the late spring and summer months (meaning the virus would die out due to the lack of new available hosts). California has a current R value of 0.65 (February 19, 2021).

As is the case with most coronaviruses, COVID-19 is mutating. As the coronavirus becomes more genetically diverse and expands rapidly, each new case gives the virus a chance to mutate. To-date, it appears that all of the approved vaccines are effective, however, continual spread may result in a mutation that is not affected by current vaccines. The first variant was found in the United Kingdom (and is now in 30-countries), followed by a second variant in South Africa and Brazil and recently Los Angeles (where the new variant has been found in one-third of all new cases). Continued spread of the virus (through a lack of wearing a mask or the lack of social distancing for example), increases the number of new cases and the probability that the virus will mutate. The new mutations also appear to be more contagious, although not more deadly; research continues, and the true scale of the mutations is currently unknown.

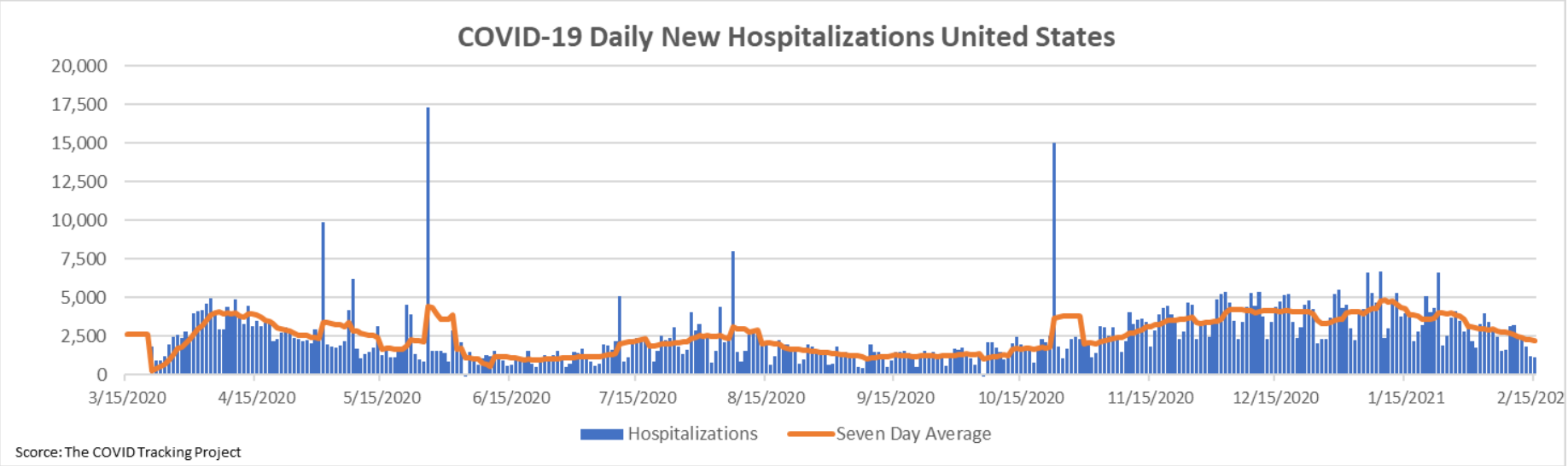
Cases, Hospitalizations and Deaths

After the initial wave of infections in the early spring of 2020 and the general awareness of individuals and states to the severity of the virus, a flattening of the curve was successful in not overwhelming hospitals and health care professionals. A second wave occurred in the summer months as individuals grew tired of isolating and frustrated with state mandates and warmer weather drew crowds to unsanctioned events. The United States is currently undergoing a third-wave of increasing infections as cooler weather forces people inside. The initial two waves were more targeted in affecting older individuals and particular hotspots; the current wave is far more reaching geographically and individually (effecting all parts of the country, all age groups, and all ethnic groups).

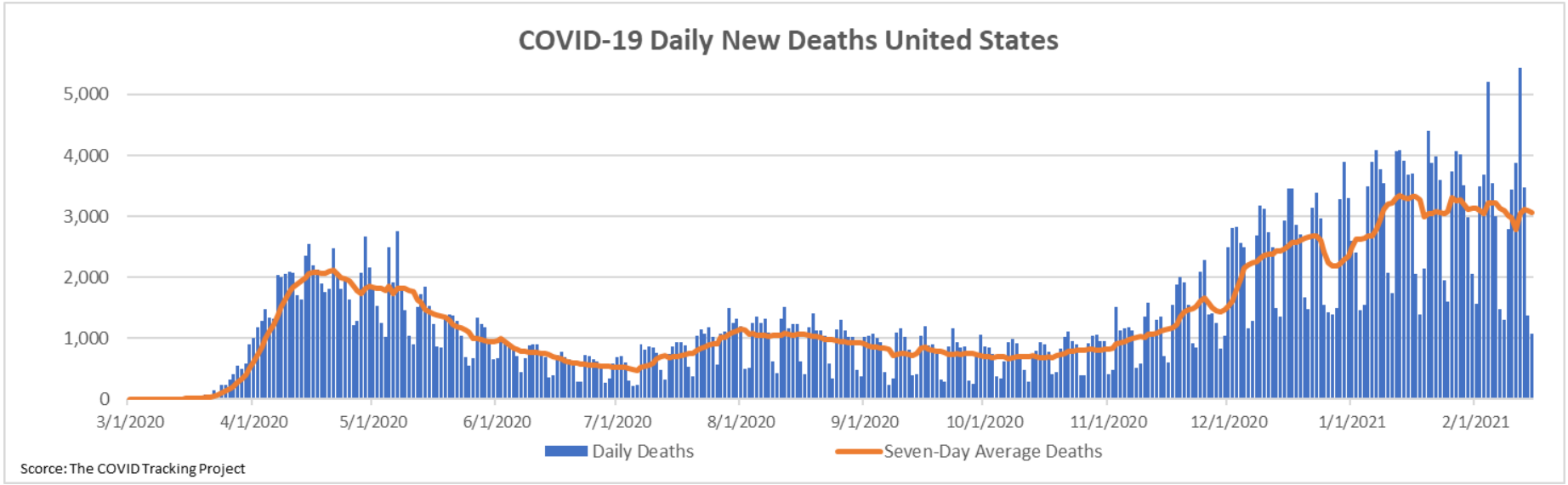
Within the current third wave of new cases, there was a significant increase after the Thanksgiving Holiday as many people traveled to see friends and family. Despite a momentary lull in mid to late December, new cases again spiked after the Christmas Holiday (each spike has resulted in new highs in both daily cases and seven-day averages). The good news so far as of mid February is the number of new cases is declining significantly (from a seven-day average high of 247,111 cases on January 11 to 87,073 cases on February 15; a 65% decrease) after the Holiday increase and there is hope that with the current distribution of the vaccines, a renewed focus on social measures and a new administration that appears to be more committed to eradicating the virus, new cases will continue to decline.



In addition, new hospitalizations are beginning to decline after reaching all time highs (from a seven-day average high of 4,843 hospitalizations on January 10 to 2,193 hospitalizations on February 15; a 55% decrease). Treatment for COVID-19 patients has improved dramatically, and a decrease in cases has resulted in decreasing hospitalizations. Current treatment options include bamlanivimab (monoclonal antibody to treat mild to moderate cases that are at risk for becoming severe), convalescent plasma and remdesivir (which speeds up recovery) for moderate cases and dexamethasone, prednisone and methylprednisolone as well as ventilators for severe and critical cases. However, some of the best options have proven to be preventative and include social distancing, avoiding crowed places, wearing a mask, and washing your hands (household soap bursts the virus's protective bubble).



While the number of daily deaths begins to decrease, deaths have not decreased at the same pace as new cases or hospitalizations (from a seven-day average high of 3,335 new deaths on January 13 to 3,064 new deaths on February 15; an eight percent decrease); however, there appears to be a declining rate of daily deaths recently that tracks with both the declining number of new cases and hospitalizations.



It is worth mentioning that while all ages are contracting the disease, not all ages are dying at the same pace. The 0 – 34 age categories make up only 0.85% of all deaths, the 35 – 54 age group accounts of 6.46% of deaths, ages 55 – 64 account for 11.78%, ages 65 – 74 account for 21.31% and for the population that is aged at 75 years and greater, this age category accounts for an astounding 59.59% of all deaths related to COVID-19.

Vaccine

There are four basic types of vaccines; inactivated virus, protein-based, viral vector and genetic. Current research is focused on genetic vaccines and includes the two mRNA vaccines (messenger RNA) that have reported extraordinary test results. mRNA vaccines contain manufactured genetic material that prompt the body to create a protein that sits on the exterior of the virus not allowing it to replicate. Given technology (you don't need the actual virus to create the mRNA, just a computer), Moderna was the first drug maker to deliver a potential vaccine for clinical trails—only 42 days after the genetic code was released. There are multiple COVID-19 vaccines under development and as of late January 2021, two have been approved (via the Emergency Use Authorization) and begun distribution. Pfizer (USA) and BIONTECH (Germany) have stated that efficacy trials have resulted in a greater 90% efficacy rate (actual results are beginning to confirm the efficacy rates).

As of mid February, both companies together have delivered 71,657,975 doses of the vaccine in the United States and 55,220,364 doses have been administered (a 77.1% administered rate) and 15,015,434 people have received both vaccinations (4.6% of the total US population). In California, a total of 8,250,650 doses have been delivered and 6,210,992 doses have been administered (75.3% of the doses delivered) and 1,456,222 people have received both vaccinations (3.7% of the total California population). Both companies suggest that it will most likely take until spring/summer to produce enough doses for all Americans. Further complicating the production and distribution of the vaccine is that both require two-doses; effectively doubling the required production. The vaccines are anticipated to be free (or provided at a very low cost) and the US government has contracted with both companies for more than 300 million doses. Two additional vaccines are nearing approval (both based on the actual virus and not mRNA), Johnson & Johnson and Astra/Zeneca (both are anticipating approval in early 2021). In total, more than 200 companies are working on vaccines to prevent COVID-19.

Distribution

Given the rapid development of several vaccines for COVID-19, attention has turned to distribution. There are 330 million Americans and many of those individuals will need the vaccine in order for herd immunity to occur (where the vaccine cannot find a viable host in which to replicate). To combat the daunting challenge of distribution, the US government created Operation Warp Speed (OWS). The goal is to deliver 300 million doses of a vaccine with initial doses available by January 2021. OWS is a partnership of several different government agencies that will coordinate public and private entities in development, manufacturing and distribution and will support these entitles in various ways including financial, logistically, leadership and management.

The CDC is overseeing the planned order of distribution which is anticipated to be for healthcare workers first (front line personal), older individuals and individuals with underlying medical conditions. Given the rate of progress related to the vaccine development, the first doses of the vaccine were available by the end of 2020; however, delays in distribution, issues with storage and transport, unclear guidelines as to the order of vaccination and disorderly vaccination stations have all resulted in a much slower rollout than anticipated or warranted.

At the current pace, it would take several years to achieve enough of the population to be vaccinated to achieve herd immunity. However, If the manufacturing and distribution is better coordinated and accelerated (no easy task given the scope of the project), vaccination of the greater population may be achieved by summer. All told, there is the potential for Americans to reach herd immunity through vaccination by mid/late 2021.

Ultimately, it is important to remember that the economy cannot fully recover without an elimination of the virus. Even though the virus has forced or accelerated some structural and fundamental changes that may have already been in transition (work-from-home, home workouts and a greater reliance on internet shopping for example), other long held traditions will not return until the virus is gone (concerts, sporting events, airline travel and dining out to name a few). As Dr. Fauci says "You don't make the timeline; the virus makes the timeline"; Dr. Fauci made this statement a year ago and it still holds true today. Technology, worldwide cooperation and tireless hours working by many dedicated individuals may have a say in the timeline—natural and artificial herd immunity may be closer than anticipated.

Economy

COVID-19 is having a significant impact on the US economy. By the spring of 2020, nearly ninety-percent of the US population had been living under a shelter-in-place order which required that all residents in nonessential businesses work from home, do not gather or congregate, and do not leave the house except for essential needs. Restaurants, bars, movie theatres, work conferences and sporting events (to name just a few) had been delayed, cancelled or shutdown completely.

The overall economy had been preforming well heading into 2020 with homebuilding one of the star performers. Initial sales activity early in the year projected 2020 to be the best sales year since the Great Recession a decade earlier. And while data points all confirmed this (everything from GDP growth, employment growth, unemployment, personal consumption, etc.), the data is backward looking; as newer data was released, it became apparent that the winding down of the US economy had significant repercussions in the short term. In fact, recent data from the government has stated that a recession actually began in February of 2020.

The economy has followed the virus: a slowdown in economic activity during the first quarter when the virus became active in the US, a complete lockdown and extensive economic devastation during the second quarter, followed by a strong rebound in the third quarter. Both economic growth and employment have followed the pattern: 22 million jobs were lost in March and April and 12 million jobs have been regained between April and December. However, as the third wave of the virus accelerates, the rate of job growth has steadily declined: from 3.59% in June to 1.28% in July, 1.07% in August, 0.50% in September, 0.46% in October, 0.24% in November and a decline in December (-0.10%). It is unlikely, given the significant increase in COVID-19 cases and hospitalizations, that employment growth will increase rapidly beyond current levels without an elimination of the virus.

In an effort to support and stimulate the economy, the federal government passed the CARES Act in late March of 2020. The $2 trillion package included everything from corporate and small business loans, direct payments to Americans, extended unemployment insurance and a variety of other direct and indirect payments to Americans, business and local and state governments. Despite arguments that not enough money went directly to Americans and too much went directly to (often falling and unsound) businesses, the program helped support the economy and position it well for the future growth that has been realized in the third quarter. However, with the resurgence in COVID-19 cases, congress has passed a $900 billion stimulus bill (in late 2020) that will help Americans and small businesses to cope with the ongoing economic pain of the pandemic (the bill includes assistance for small businesses, direct checks to citizens, extended unemployment benefits, aid to schools and money to help with COVID-19 vaccines, testing and tracing). In addition, with the transfer to a new administration, an additional aid package of $1.9 trillion has been proposed and would include additional money to citizens, aid to local and state governments, an increase in unemployment benefits, funding for COVID-19 related issues and school funding to help with reopening to name just a few. The bill has met some resistance from republicans and will most likely be less than the $1.9 trillion currently being proposed; and while the initial hope was for a quick approval (by the end of January of 2021), it appears that it may be the spring before a final package is passed.

The damage may already be devastation for many people and businesses, especially smaller companies that relay on current cash flow and do not have cash reserves to see them through difficult times and people that make moderate wages and have little cash on hand for emergencies. Travel and leisure industries have been hit especially hard and while it was hoped that many of these companies would be able to restart their businesses and rehire workers, it is becoming evident that it may be some time before they are able to do so as some have gone completely out of business and others are slow to reopen.

In addition, it is becoming evident that cultural habits are shifting. It is believed that many of these cultural shifts were already occurring and have been accelerated by the virus. It appears likely that the US economy is in transition; not through a recession to the same economy as before the virus but to a new and different economy; and it is still unknown what this new economy will look like. How will the increased emphasis of working from home affect future office leasing decisions, home buying decisions and where individuals will ultimately live? Will anyone go to the theatre again given that streaming services are offering better content? Will health clubs continue to flourish or will streaming services like Peloton and others upend in person workouts? Will people finally make the shift to on-line grocery shopping or simply decide that consuming less will lead to a better life? History would tell us that some things may change, even radically, but major disruptions in consumer habits are often slow to materialize…the honest answer is that we just don't know yet.

One of the most pertinent factors associated with the housing market may be the work-from-home movement that has been forced upon employees throughout the US. During the original shutdown in March when all but essential employees were sent home, companies and employees adjusted by working from home. Only recently possible and enhanced by technology including cloud storage and video conferencing, the movement home led to some interesting discoveries, mainly that employees could be as productive when working from home as from the office. Realistically it may be too soon (especially in the middle of a pandemic) to determine if work-from-home will take hold in a majority of companies, but the initial feedback has been very positive (although many CEOs are skeptical that work-from-home will be widespread after the pandemic has passed). Pre-COVID-19 work-from-home employees accounted for approximately two-percent of all workers (working from home all five days) and 8% (for workers working from home at least one-day a week); current projections are that after the pandemic between 20 and 30% of employees will work-from-home (the Bureau of Labor statistics estimates that 24% of all workers worked from home in December). It is estimated that an even-greater percentage would like to work from home on a more flexible and part-time bases.

Ultimately, time will determine if work-from-home will last, but in the interim, it has definitely boosted the housing market. Employees in work-from-home flexible companies (and retires and pre-retirees) are taking advantage of the new work policies and moving from urban areas within major cities to suburban areas within the same metropolitan area or suburban areas further away (i.e., from San Francisco to East Contra Costa County or from San Francisco to Sacramento). They are propelled by less dense living environments (traffic and congestion is a major concern), better living conditions (including a lower homeless population and a better place to raise children with superior schools), a location that is close to friends and family, less expensive living, and more affordable housing.

While many employees are moving from areas like San Francisco to and in-between Sacramento and Fresno or from Los Angeles to and in-between Riverside and San Bernardino, many others are moving or returning to other states with the primary locations being Arizona, Texas, Nevada, Washington, Utah, Idaho, Tennessee and Colorado to name just a few. Lower taxes and less congestion are primary reasons for leaving California as well as a return to family and a more affordable living environment.

Yet despite all the upheaval medically, economically and societally, housing has accelerated to levels not seen since before the great recession more than a decade ago. It may not make logical sense that a housing boom would occur during a pandemic and a recession, but evidence supports this view. Several significant factors are responsible for the increase in sales, the lack of supply, historically low mortgage rates, a lack of existing home inventory (which results in increasing existing home prices) and a shift of buyers to new-homes, a lack of new-home inventory (which pushes new-home pricing), societal factors such as work-from-home (which has resulted in the Zoom-Boom), a movement from cities and urban areas to suburban and rural areas and maybe most importantly, an economic dichotomy within America.

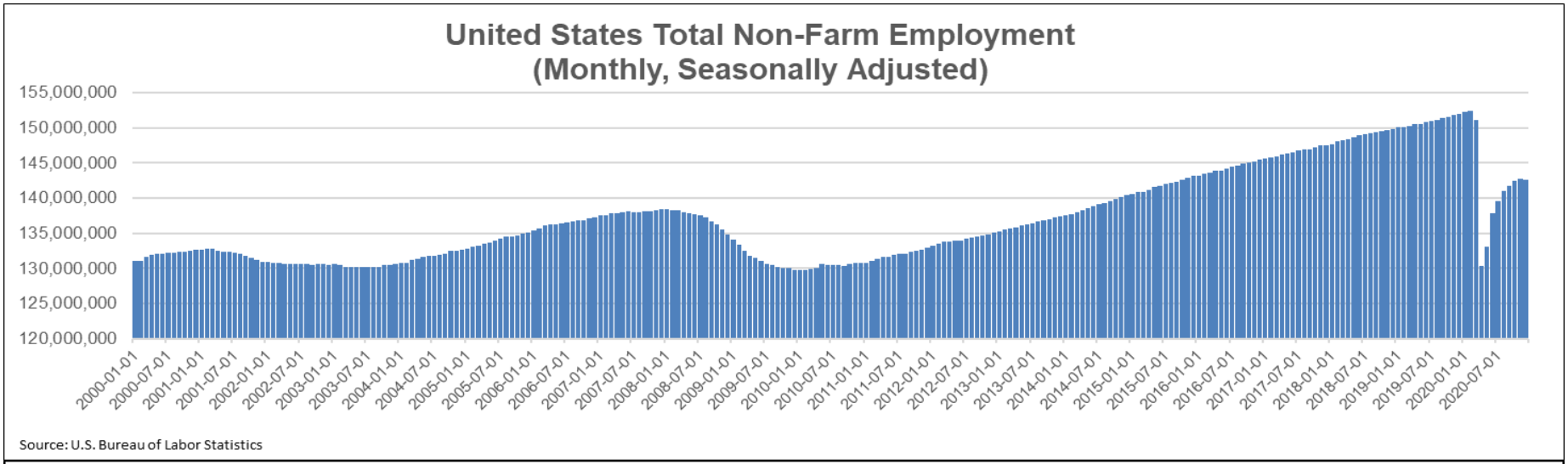
It has become apparent that there is a portion of America that has not been radically affected by the virus while another section has been devastated. The least affected group generally includes a higher educated population with greater incomes that involves white-collar work that is easily transferable to a work-from-home environment. This population also feels secure in their employment, has family support (relatives that can help babysit and educate the children) and are often times homeowners with equity (that can be transferred to a new property). In other words, a perfect storm of home buying potential.

For example, the personal saving rate reached a high of 33.7% in April of 2020 and is still elevated as of December 2020 at 13.7% (the savings rate was 7.5% in November of 2019). An argument can be made that perhaps the majority of the stimulus should have gone to people in desperate need and not to those who remained employed and simply saved the money; but it should also be pointed out that some homeowners and renters are not paying their mortgages or rents due to government actions providing relief (and thus, people are saving the money for future needs and not necessarily spending the money). Most Americans who are employed believe, if they have made it this far in these trying times, they are secure from future layoffs; this often translates to feeling secure enough to purchase a home if the opportunity is available—and it is clear that many people are taking advantage of steady employment, greater savings and low mortgage rates.

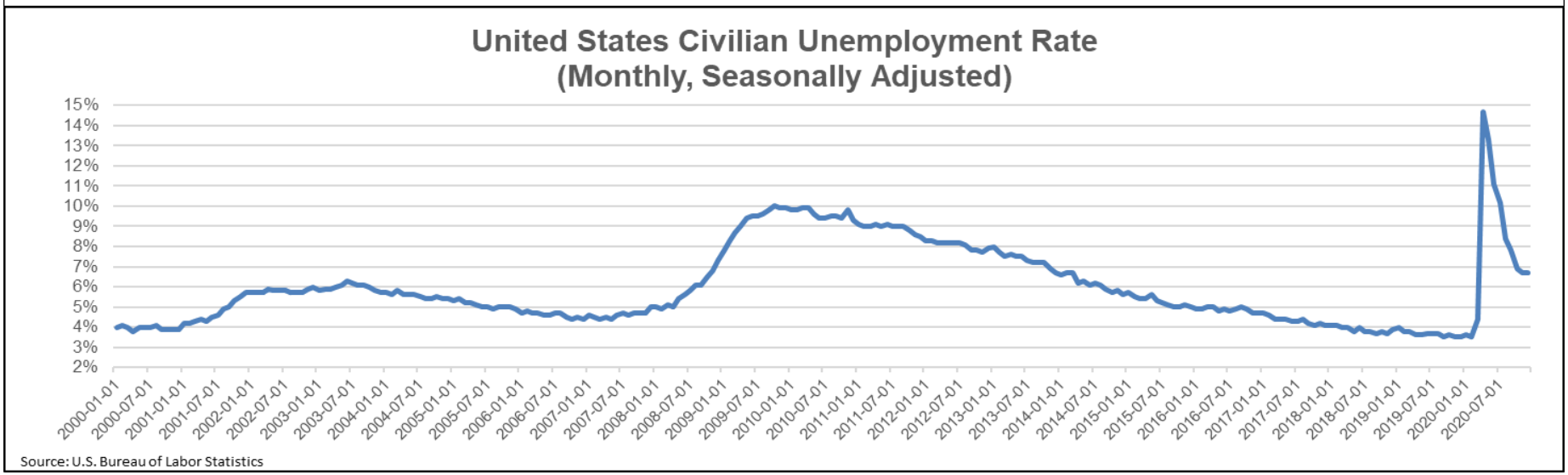
GDP and Employment

In terms of the two primary factors of the economy, GDP and employment, GDP posted a -5.0% decline in the first quarter, a -31.4% decline in the second quarter, a 33.4% increase in the third quarter, and, as recently released, a 4.0% increase in the fourth quarter. As a result of the somewhat anemic fourth quarter, GDP growth for all of 2020 came in at -3.5% (2021 is projected to grow a more robust 5.3% and 2022 is projected to grow 5.1%--both very strong rates of growth).

As stated previously, employment had declined significantly during the first wave of the virus and was followed by strong employment growth over the following few months and gained back approximately half of the lost jobs. But it is evident that the rate of growth has slowed and may slow even further in the future as some sectors take longer to recover. While GDP growth is expected to turn positive in 2021, it is unlikely that employment growth will equal pre-COVID-19 levels anytime soon (although 2021 is anticipated to add 5.7 million jobs and 2022 is projected to add 3.3 million jobs; still fewer jobs than before the pandemic). The unemployment rate is anticipated to remain stubbornly high at 6.0% in 2021 and 4.9% in 2022.

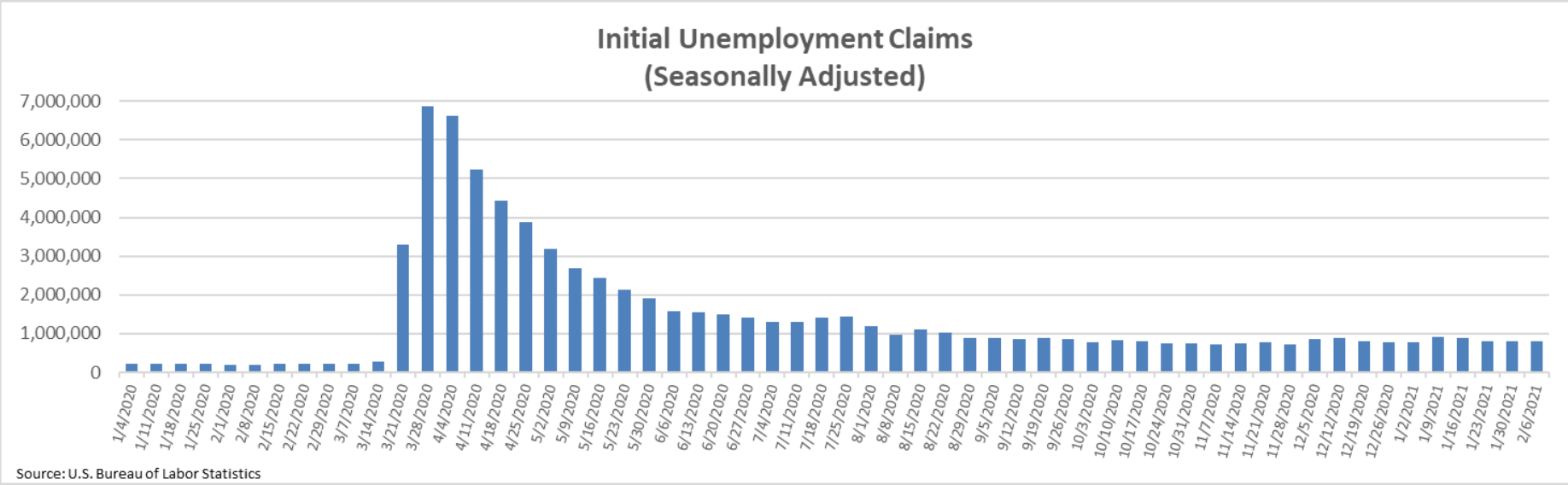


Source: U.S. Bureau of Labor Statistics



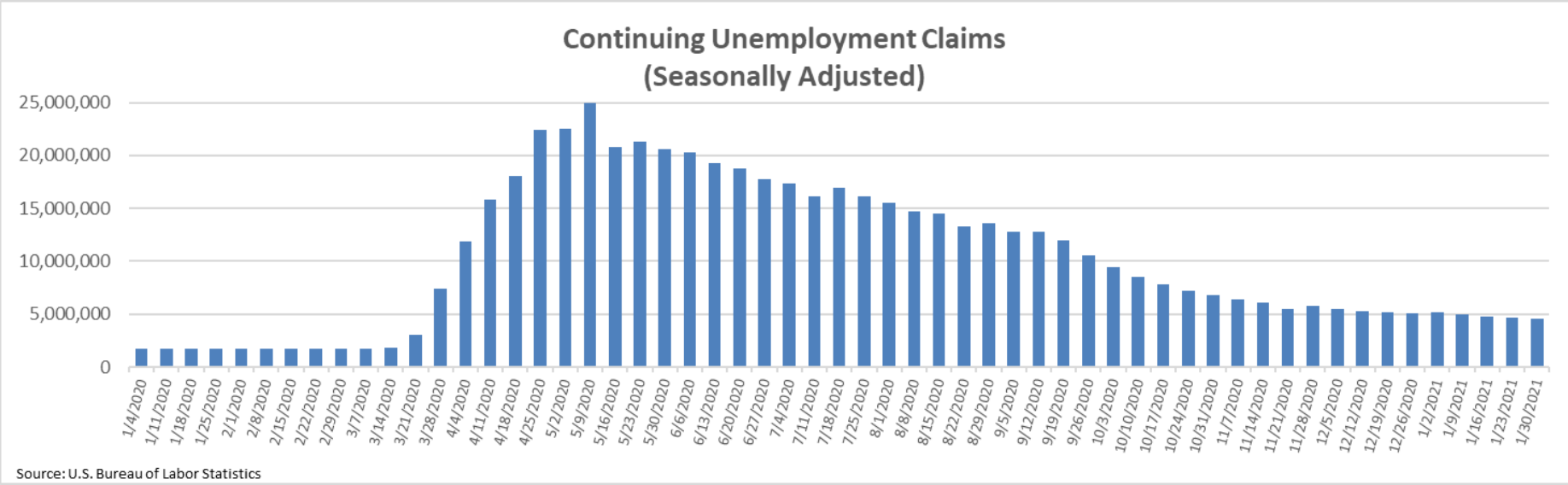
Source: U.S. Bureau of Labor Statistics

Initial jobless claims have reached 78.005 million people between March 21 and February 6; from a high of 6.867 million people for the week of April 14 to 793,000 people for the week of February 6.



Source: U.S. Bureau of Labor Statistics

Likewise, continuing jobless claims have decreased from a high of 24.912 million people on May 9 to the current 4.545 million people on January 30.



Source: U.S. Bureau of Labor Statistics

It is also worth noting that retail sales have bounced back significantly, and even surpassed levels seen before the COVID-19 crisis; increasing from a low of $483.949 million in March to $540.915 million in December (retails sales in December actually decreased 0.68% from November).

COVID-19 is changing the economic landscape in fundamental and significant ways; but despite the dramatic measures that are talking place both socially and economically, the true effects are largely unknown and may not be fully understood for months or even years in the future. The US economy has dipped into a recession (as of February of 2020); and given the stagnation of many industries, there has been soaring unemployment, falling economic growth, significant increases in national debt, and a total restructuring of the US economy. COVID-19 may have far greater reach then just the health and economic impacts; the US may see a compete restructuring of work habits, social interaction and work-life integration.

The Future

The beginning distribution of several vaccines (and the promise of more vaccines in the coming months) is providing hope that the future may return to some semblance of "normal" sooner rather than later. The actual economic recovery from the effects of COVID-19 and the shutdown have taken two paths; overall it can best be described as the "Nike Swoosh", a period of rapid and severe contraction, followed by an equally strong initial acceleration and then a leveling off as the rate of economic growth slows—this still hold true to today. A more nuanced analysis would suggest a "K" recovery with some individuals, companies and industries performing very well (Amazon and the building industry) and some individuals, companies and industries performing poorly (laid off workers, the travel industry and restaurants).

Combining the medical, societal and economic factors together, there are three different scenarios forward with very different outcomes:

- **The Upside Scenario:** A working vaccine (or several successful vaccines) with extensive and effective distribution and complete and thorough uptake of the vaccine is the most optimistic scenario. With healthcare workers, older individuals and those with underlying conditions given the vaccine first (in December and early 2021) followed by a distribution to the rest of the population throughout the spring and into summer, it is possible that COVID-19 could be eradicated (reaching herd immunity) by the summer/early fall of 2021 and life will return to a semblance of "normal".

- **Baseline Scenario:** It appears that a working vaccine is probable and when taken properly, will inoculate the vast majority of the population. The question becomes will everyone take the vaccine and can it be distributed appropriately. With the disruption that the virus has already caused, it would seem that once a vaccine is available, the problem would be solved. However, there are several factors to consider including a strong and resurgent anti-vaccine movement and a real challenge of distribution to 330 million Americans not to mention 7.8 billion people worldwide. While a baseline scenario is certainly possible, it is unlikely given the significant amount of time and effort (not to mention money) being put forth in order to develop the vaccine and distribute it appropriately. There is further hope in this regard given the transition to a more COVID-19 forwarding thinking administration.

- **Downside Scenario:** If the current optimism of a working vaccine turns out to be false (or more adverse side-effects become apparent) and the virus regains momentum (possibly through mutations) throughout the winter coupled with a lack of personal responsibility measures (anti-vaccination, social distancing, washing hands and wearing a mask), the result will be many more deaths, further lockdowns and continued economic devastation well into 2021 and even into 2022. While this is an unlikely scenario, it is still a possibility and may result in many years of future hardship.

It is important to point out that no matter what the ultimate success of a vaccine, the current depressed economic activity (or the declining improvement in economic and employment growth) will most likely continue, at a minimum, for several more months. The winter months pose a challenge to individuals to stay healthy and this includes staying away from things that they would normally be inclined to do (everything including parties, travel, eating out in restaurants, Super Bowl parties, etc.) which results in limited economic activity. The current working theory would be for an effective vaccine and a more significant and more inclusive economic recovery in the second half of 2021.

Despite the current economic turbulence, the housing market has grown to levels that are better than before the crisis began in mid-March. Pricing is increasing and sales have accelerated. But a longer-term, more inclusive and sustainable housing environment is only attainable with a stronger economic recovery in 2021 and beyond; if overall economic activity does not improve before the end 2021 and into 2022, the housing market may see signs of lagging with slowing price appreciation and slowing sales activity. Given the current COVID-19 crisis, there is no guarantee that home building will remain at its current pace indefinitely.

The two-county North Central Valley Region (San Joaquin and Stanislaus Counties) posted a total of 932 new-home sales in the Fourth Quarter of 2020, an increase of 67.0% from a year earlier (with 558 sales) and a decrease of 24.5% from the prior quarter (with 1,235 sales). While the Fourth Quarter sales total was lower than the Third Quarter (a result of a continuing decline in available homes to sell), there remain several factors contributing to the overall yearly surge in sales including; historically low interest rates (mortgage rates of less than 3.00%), a limited supply of existing homes, stability of employment and incomes for sectors of the economy (primarily households with earnings of greater than $60,000 per year), an increased saving rate (giving buyers more money to use as a down payment), a flight from the urban areas of the state (from the San Francisco Bay Area to the Central Valley for example) and influences surrounding the work-from-home boom (people are looking for the appropriate housing in order to work-from-home and to potentially teach-from-home: both local buyers and Bay Area refugees often seek new housing to meet these needs). All-in-all, 2020 totaled 3,569 new home sales; a significant increase of 44.3% from 2019 (with 2,473 new-home sales).

From a year earlier, unsold inventory has decreased significantly from 450 units to the current 150 units (a decrease of 66.7%) and a decrease of 13.8% from the previous quarter (174 units to 150 units). It is clear that new-home projects are not entering the market fast enough to replace the sold out (and rapidly selling) projects. This has also resulted in a continuing increase in sales rates; an overall cumulative average sales pace of 0.80 sales per week as of the Fourth Quarter of 2019 to a Fourth Quarter of 2020 sales pace of 1.15 units per week and a Fourth Quarter of 2019 average sales pace of 0.58 units per week to the current quarter sale pace of 1.07 units per week (a dramatic increase of 84.5%).

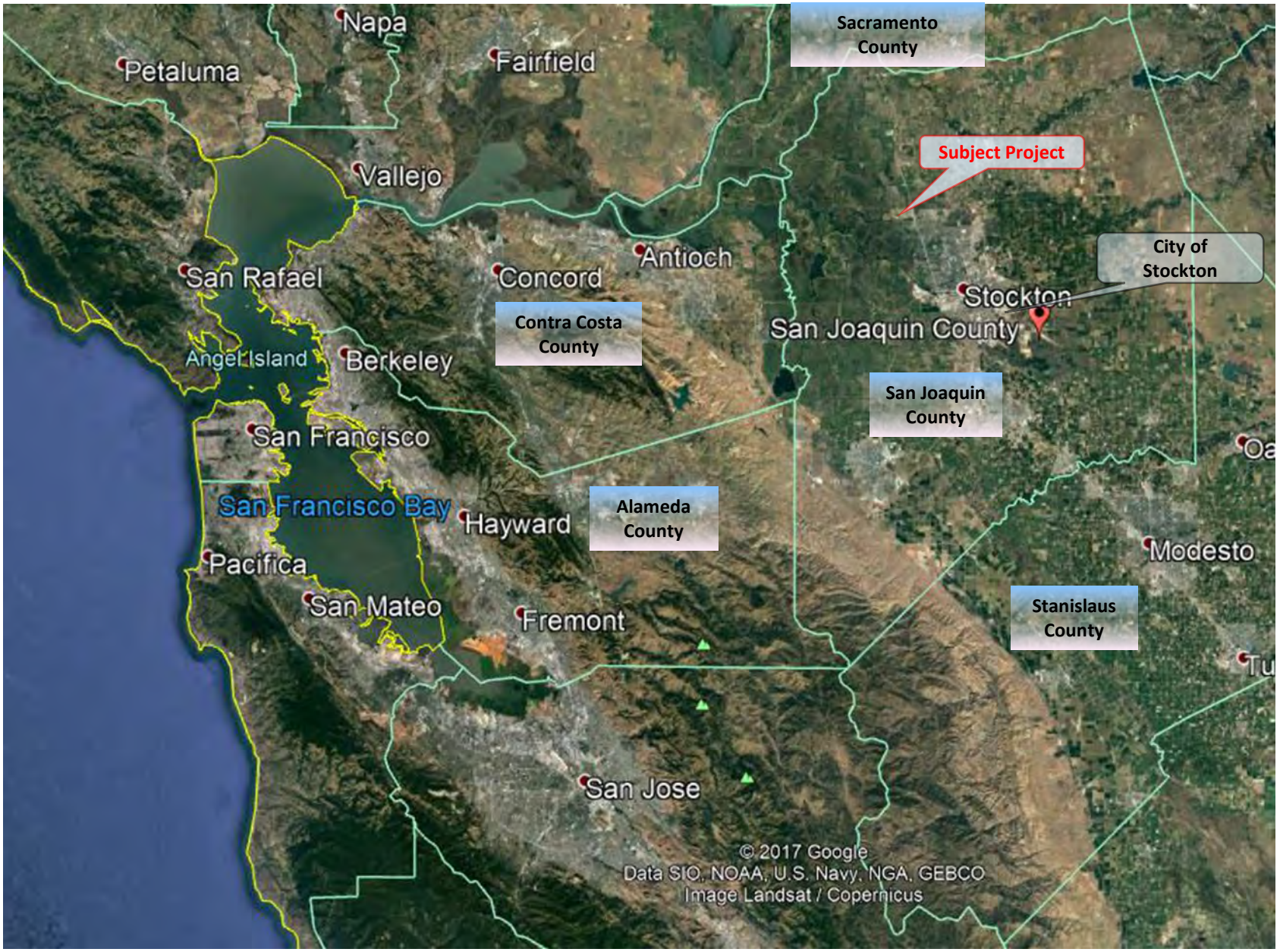
> Furthermore, the total number of projects has decreased from 74 in the Fourth Quarter of 2019 to the current 67 in the Fourth Quarter of 2020 (a 9.5% decrease) as well as a decrease in total inventory (down 22.0% year-over-year; from 3,248 units to 2,534 units).

Given the rapid pace of sales and the constraint on supply, new-home pricing is increasing at a rapid pace. On a year-over-year basis, new-home pricing has increased 6.9% (from $526,253 in the Fourth Quarter of 2019 to the current $562,598) and more significantly, home values have increased 4.6% from the previous quarter ($537,640 in the Third Quarter versus the current $562,598).

> While it is difficult to project sales and pricing into the future given the changing economic conditions and the uncertainty surrounding the pandemic, it is possible that new-home sales could increase up to 20% and new-home pricing could increase up to 12%.

It is anticipated that the demand for new housing in the North Central Valley Region will continue despite the fact that California is still living with the COVID-19 crisis, through high levels of unemployment and a movement by some residents out of the state entirely. Undeniably, the North Central Valley Region remains a beneficiary of troubled times and is positioned to continue with increasing sales and pricing and accelerating demand.

North Central Valley Region	1st Qtr 2018	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr 2019	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr 2020	2nd Qtr	3rd Qtr	4th Qtr	Qtr % Change	Year Ago % Change
Average Price	$481,190	$492,444	$494,914	$496,245	$507,149	$525,780	$520,875	$526,253	$526,110	$521,970	$537,640	$562,598	4.6%	6.9%
Median Price	$459,925	$475,900	$481,990	$481,990	$489,950	$508,925	$500,150	$511,000	$506,500	$510,000	$529,500	$545,900	3.1%	6.8%
Average Home Size	2,521	2,478	2,483	2,459	2,475	2,521	2,489	2,495	2,488	2,468	2,471	2,412	-2.4%	-3.3%
Average Pr/Sq Ft	$192.60	$200.72	$201.63	$204.11	$207.63	$211.48	$212.89	$214.52	$215.45	$215.80	$222.27	$238.76	7.4%	11.3%
Ttl Weekly Sales Rate	1.07	1.20	0.92	0.77	0.89	0.80	0.73	0.80	0.80	0.86	0.96	1.15	19.8%	43.8%
Quarter Sold	680	809	539	391	714	617	584	558	693	709	1,235	932	-24.5%	67.0%
Qrtr Weekly Sales Rate	0.89	0.89	0.61	0.44	0.75	0.63	0.56	0.58	0.67	0.68	1.19	1.07	-10.1%	84.5%
Unsold Inventory	318	345	431	447	432	561	572	450	424	428	174	150	-13.8%	-66.7%
Weeks of Inventory	5	4	7	8	7	9	10	8	7	6	2	2	0.0%	-75.0%


Napa
Petaluma
Fairfield
Sacramento County
Subject Project
Vallejo
Antioch
City of Stockton
San Rafael
Concord
Stockton
Contra Costa County
San Joaquin County
Angel Island
Berkeley
San Joaquin County
San Francisco
San Francisco Bay
Hayward
Alameda County
Modesto
Pacifica
San Mateo
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Primary Market Area Sales and Pricing

There are currently 61 new-home projects selling within San Joaquin County including eleven projects from Lathrop, five projects from Lodi, fifteen projects from Manteca, eight projects from Mountain House, fourteen projects from Tracy and seven projects from Stockton. However, given the unique location of the subject project in the northern portion of the City of Stockton, only new-home communities within the immediate area of the subject project were considered. While in some respects, projects located in Tracy, Mountain House, Lathrop and Manteca are comparable to the subject project, they are generally priced higher, are situated on smaller lots, and are mush closer to the employment centers in the San Francisco Bay Area. Furthermore, while there are seven currently selling projects within the City of Stockton, two of the projects are located in Central Stockton and offer housing that is less expensive and generally inferior to the subject project based on product type and locational factors.

The subject project offers a unique location; a location that is in the northern portion of the City of Stockton and offers a suburban (and even rural orientation) yet is still connected to the greater San Francisco Bay Area to the west and the Sacramento Region to the north. Therefore, the Primary Market Area is considered to be new housing in the Interstate 5 and Eight Mile Road corridor (the City of Lodi was also not included due to a location that is along the Highway 99 corridor and further north in Sacramento County).

The five currently selling projects in the Primary Market Area (three of which are situated within the Westlake Villages planned community) have an average price of $485,961 ($200 per square foot) and the homes have an average lot size of 5,235 square feet. In terms of inventory, there are 586 units planned within the currently selling projects of which 405 units are sold; this results in 193 units of total inventory and only 12 units of unsold inventory. The projects are selling at an overall (since the projects opened for sales) average pace of 1.20 sales per week and a current average sales pace (the past six weeks) of a very strong 1.48 units per week.

By comparison, the 61 currently selling projects in San Joaquin County offer an average price of $568,342 ($240 per square foot) and the homes have an average lot size of 4,934 square feet. There are 6,433 units planned within the currently selling projects of which 4,034 units are sold; resulting in 2,399 units of total inventory and 130 units of unsold inventory. The projects are selling at an overall average pace of 1.16 sales per week and a current average sales pace of 1.06 units per week.

					LOT	INVENTORY SUMMARY					SALES SUMMARY		AVERAGE			MONTHLY OBLIGATION			
	COMMUNITY	BUILDER	CITY	PRODUCT TYPE	SIZE/ DENSITY	UNITS PLANNED	UNITS OFFERED	UNITS SOLD	TOTAL RU	UNSOLD RU	OVERALL	CURRENT	HOME SIZE	NET PRICE	NET $/SF	MONTHLY HOA	BASE TAX	ADD TAX	MONTHLY PAYMENT
PMA	Montevello	KB Home	Stockton	Detached/Traditional	5,500	276	190	185	91	5	1.22	1.93	2,445	$491,900	$205	$0	1.06%	0.32%	$2,225
PMA	Seasons	Richmond American Homes	Stockton	Detached/Traditional	5,225	41	36	36	5	0	1.41	2.10	2,600	$491,099	$192	$120	1.06%	0.46%	$2,398
PMA	The Cove	Caresco Homes	Stockton	Detached/Traditional	5,225	46	25	25	21	0	0.98	1.40	2,169	$484,190	$226	$120	1.06%	0.47%	$2,370
PMA	The Keys	Lennar Homes	Stockton	Detached/Traditional	5,225	101	35	28	73	7	1.58	0.93	2,428	$486,890	$207	$120	1.06%	0.49%	$2,391
PMA	Villa Point	Richmond American Homes	Stockton	Detached/Traditional	5,000	122	119	119	3	0	0.79	1.05	2,585	$475,737	$187	$99	1.06%	0.00%	$2,124
			NEW-HOME TOTALS/AVERAGES:		5,235	586	405	393	193	12	1.20	1.48	2,425	$485,961	$200	$92	1.06%	0.35%	$2,301

There are several interesting dynamics that are evident in the current new-home selling environment:

- Sales rates have increased during the pandemic; both overall sales activity and current sales activity have risen dramatically in some cases. In fact, within the last six weeks, four of the five comparable projects are selling at greater than one-home per week and three of the five competitive projects are selling at greater than one-home per week overall.
- Pricing is also increasing at more significant rates that in the past several years; between phase increases, which have historically been between $1,500 to $3,000, are now increasing up to $10,000 (and greater at some projects). Furthermore, many projects are stating that entire phases (phase releases are becoming smaller as well) are selling out upon release (often with a waiting list).
- In fact, all of the five competitive projects in the subject market area have seven units or less of unsold inventory remaining within the current sales phase (and three have no units available at all).
- It is also interesting to note that many builders are stating that despite the increased activity in sales and especially pricing, margins are not increasing; this is primarily a result of material costs (especially lumber prices) that are accelerating at a similar pace as home pricing (and in some cases, at an even greater pace).
- Finally, there are some homebuilders (in several market areas throughout northern California and the Central Valley) that are listing a "base price" on the price sheet; but when multiple homebuyers are interested in the home, the homebuilders are taking back up offers usually at higher prices than the base prices.

Year	City of Stockton Sales	San Joaquin County Sales	City of Stockton % of Sales	San Joaquin County Sales	North Central Valley Region Sales	San Joaquin County % of Sales	City of Stockton % of Sales
2002	1,749	3,966	44.1%	3,966	6,042	65.6%	28.9%
2003	2,644	5,263	50.2%	5,263	7,738	68.0%	34.2%
2004	2,407	5,061	47.6%	5,061	9,397	53.9%	25.6%
2005	1,812	3,821	47.4%	3,821	7,428	51.4%	24.4%
2006	926	2,991	31.0%	2,991	4,867	61.5%	19.0%
2007	629	2,207	28.5%	2,207	3,382	65.3%	18.6%
2008	300	1,080	27.8%	1,080	1,780	60.7%	16.9%
2009	252	849	29.7%	849	1,261	67.3%	20.0%
2010	145	611	23.7%	611	753	81.1%	19.3%
2011	114	702	16.2%	702	772	90.9%	14.8%
2012	149	956	15.6%	956	1,073	89.1%	13.9%
2013	101	854	11.8%	854	922	92.6%	11.0%
2014	95	1,042	9.1%	1,042	1,123	92.8%	8.5%
2015	117	1,422	8.2%	1,422	1,642	86.6%	7.1%
2016	141	1,336	10.6%	1,336	1,690	79.1%	8.3%
2017	145	1,731	8.4%	1,731	2,160	80.1%	6.7%
2018	215	1,997	10.8%	1,997	2,419	82.6%	8.9%
2019	210	2,083	10.1%	2,083	2,473	84.2%	8.5%
2020	315	3,222	9.8%	3,222	3,569	90.3%	8.8%
Average (2002 - 2020):	**656**	**2,168**	**30.3%**	**2,168**	**3,184**	**68.1%**	**20.6%**

Market Area Existing Home Sales and Pricing

The immediate subject market area (which includes existing home sales that are located west of Interstate 5 and directly south of Eight Mile Road in the City of Stockton) posted nine existing home sales during the previous 60-days with an average existing home price of $536,444 (an average of $194 per square foot). These homes were built, on average, in 2004 and are situated on lots that are an average of 6,832 square feet. The average Days on Market is currently only 17 days. The short Days on Market is a reflection of the greater, and significant demand within the community and also reflects the lack of product available to consumers.

The resale analysis also included existing home sales that are situated within North Stockton (generally east and west of Interstate 5 and directly south of Eight Mile Road) and the entire City of Stockton:

1. **North Stockton**; There have been 38 total resales during the previous 60-days with an average home price of $501,721 (an average of $205 per square foot). These homes were built, on average, in 2004 and are situated on lots that are an average of 5,763 square feet. The average Days on Market is currently 23 days.

2. **City of Stockton**; There have been 221 total resales during the previous 30-days with an average home price of $380,476 (an average of $224 per square foot). The homes were built, on average, in 1970 and are situated on lots that are an average of 7,127 square feet. The average Days on Market is currently 24 days.

						INVENTORY SUMMARY							AVERAGE			MONTHLY OBLIGATION			
	PARAMETERS	DATE RANGE	DOM	YEAR BUILT	LOT SIZE	UNITS PLANNED	UNITS OFFERED	UNITS SOLD	TOTAL RU	UNSOLD RU	SALES SUMMARY OVERALL	SALES SUMMARY CURRENT	HOME SIZE	NET PRICE	NET $/SF	MONTHLY HOA	BASE TAX	ADD TAX	MONTHLY PAYMENT
RLS	City of Stockton	01/12/2021 - 02/10/2021	24	1970	7,127	--	--	221	--	--	53.34	--	1,696	$380,476	$224	$0	1.06%	0.00%	$1,619
	North Stockton	12/14/2020 - 02/10/2021	23	2004	5,763	--	--	38	--	--	4.59	--	2,448	$501,721	$205	$0	1.06%	0.00%	$2,135
	North Stockton (West I-5)	12/14/2020 - 02/10/2021	17	2004	6,832	--	--	9	--	--	1.09	--	2,760	$536,444	$194	$0	1.06%	0.00%	$2,283

Westlake Villages has the ability to attract and capture both the local buyer pool (the City of Stockton and the North Central Valley Region), as well as those emigrating from the greater San Francisco Bay Area (Bay Area buyers are accounting for a significant number of buyers in the Central Valley depending on the location, product type and price point. Given many of the economic, demographic and societal dynamics associated with the pandemic, the attitudes and desires of homebuyers is in constant flux; and while it appears that people are taking full advantage of the ability to work-from-home and relocating to areas that are more affordable, more scenic, offer a greater flexibility in lifestyle choices, closer to family and friends and to areas that are less congested (less urban and more suburban and/or rural), only time will tell if this trend continues at the current pace (there has been some speculation that the pandemic has accelerated trends that were already in progress and that housing demand is being pulled forward as a result).

Whatever the fate of housing in the longer-term, it is clear that in the interim, the housing demand in suburban type locations (primarily in inland California locations), is very strong. In addition to all of the above factors that are influencing buyers, exceptionally low mortgage rates are also having a major impact by making housing more affordable; it is believed that mortgage rates will remain low for the foreseeable future.

The subject market area has many advantages that may attract homebuyers in greater numbers including a community that is within proximity to the major employment areas of the greater San Francisco Bay Area, the Sacramento Region and the many employment opportunities throughout the Central Valley, major entertainment and recreation areas of San Francisco and Lake Tahoe/Yosemite, a diverse buyer population that is accepting of many different types of housing (including executive move-up housing, dense and affordable housing and everything in-between), an excellent location that allows for ease of access to local conveniences and major transportation corridors, many different cultural, entertainment, and recreational amenities that attract a wonderful mix of people and a robust demographic mix of people from younger Millennials to older Baby-Boomers.

More specifically, there is the potential for several major segmentations of buyers including:

1. **Young Millennials**; these buyers are younger than 35-years of age and consist of primarily singles and couples without children (some of the younger couples may just be starting a family and have very young children). They appreciate the design and amenities and features of newer housing (including an emphasis on technological and environmental features) and newer housing communities; they are more willing to reside in a smaller new home on a smaller lot in order to purchase a home (rather than rent). Many of these buyers will be from the local area (the Northern Central Valley area, but an increasing number will be from the urban and coastal areas to the west). The main driver for these buyers is affordability, and these buyers will be attracted to the smaller lot for-sale and smaller sized detached housing.

2. **Young Families**; these moderate-income buyers often have difficulty finding affordable (and appropriately sized) living environments within the communities that they wish to reside. While many will consider an older home in a good neighborhood, older homes are aging rapidly, may need updating, do not include the most current and updated technology and energy efficiency and can be expensive and unaffordable for many families depending on the location. These buyers welcome a location that is within proximity to services (i.e., stores like Walmart, etc.), has direct access via major transportation corridors to employment, entertainment and recreation, is situated in a family community (with parks, open space, trails and schools) and is generally more affordable. These buyers prefer to live in traditional lot and smaller lot for-sale detached product that offers an appropriate number of bedrooms.

3. **Growing Families (with school aged children)**; this group of buyers includes upward mobile professionals, managers and traditional public service workers who make a median income and greater. Many of these buyers are older than 35-years of age (generally between 35 and 55 years of age) and are more likely to enjoy the more peaceful, quiet, serene and community centric lifestyle that a community like Westlake Villages can provide. These buyers may not be as price sensitive and more willing to spend money on a better location (both in a community and within a community) and are most interested in the traditional sized lot detached homes.

4. **Baby-Boomers**; these buyers are older, do not have children living at home and may be single, but will most likely be married couples. Many within this group will be tired of living in a much older home, in congested or high traffic areas, and in housing without the most recent and updated environmental and technology features. Many of these buyers wish to stay within the greater community that they have lived in for many years, while others are escaping the more urban, dense and congested areas to the west and they enjoy the benefits that a community like Westlake Villages offers. These buyers can be price sensitive but are generally willing to spend a little extra for the right home on the right lot, and to make sure the home (possibly their last home) has all of the features and amenities (including upgrades) that fits their current and projected future lifestyle.

Westlake Villages Conclusions

There are a total of five new-home competitive projects within the Primary Market Area; three of which are currently selling in the Westlake Villages planned community. Overall, new housing that is located within Westlake Villages is positioned similar to the current product offerings at the top of the currently selling new-home projects.

In terms of new-housing, this positioning is straight forward: it is believed that Westlake Villages warrants a very competitive pricing to the currently selling new-home projects in the Primary Market Area and are therefore positioned competitively to these projects based on lot size and home size characteristics. In terms of existing-housing, the positioning is toward the top of the existing home sales in the City of Stockton and toward the middle of resales in both the North Stockton market area and the immediate area of the subject project.

This is a positioning that is consistent with the currently selling new-home communities that are located in the new development area of Westlake Villages and the new-home projects that are currently selling to the east of Westlake Villages in the Northern Stockton market area. The positioning also considers the current absorption rates and pace of sales over time and during the previous six weeks.

						INVENTORY SUMMARY					SALES SUMMARY		AVERAGE			MONTHLY OBLIGATION			
	COMMUNITY	BUILDER	CITY	PRODUCT TYPE	LOT SIZE/ DENSITY	UNITS PLANNED	UNITS OFFERED	UNITS SOLD	TOTAL RU	UNSOLD RU	OVERALL	CURRENT	HOME SIZE	NET PRICE	NET $/SF	MONTHLY HOA	BASE TAX	ADD TAX	MONTHLY PAYMENT
Subject	Seasons (C1)	Richmond American Homes	Stockton	Detached/Traditional	5,225	41	36	36	5	0	1.00	--	2,600	$511,099	$200	$120	1.06%	0.46%	$2,491
	The Cove (C1)	Caresco Homes	Stockton	Detached/Traditional	5,225	46	25	25	21	0	1.00	--	2,169	$484,190	$226	$120	1.06%	0.47%	$2,370
	The Keys (C2)	Lennar Homes	Stockton	Detached/Traditional	5,225	101	35	28	73	7	1.00	--	2,428	$506,890	$216	$120	1.06%	0.49%	$2,484
	Palomino (F)	D.R. Horton Homes	Stockton	Detached/Traditional	4,500	116	0	0	116	0	1.25	--	1,850	$452,500	$249	$120	1.06%	0.51%	$2,238
			NEW-HOME TOTALS/AVERAGES:		**5,044**	**304**	**96**	**89**	**215**	**7**	**1.06**	**--**	**2,246**	**$488,159**	**$217**	**$120**	**1.06%**	**0.48%**	**$2,394**

Based on a review of the competitive marketplace and considering the product type and lot size, the table on the following page outlines the pricing and absorption for the subject project in the master planned community of Westlake Villages.

The base pricing is net of any incentives (and premiums and options) and the absorption is based on sales per week. It is believed that given the location and with the overall positive demand in the marketplace, the subject project has the potential to post increasing prices into the future. Of course, this will ultimately depend on future market conditions, but the market area has the fundamental structure to achieve long-term success. In addition, based on the pricing position, the absorption rate is estimated at between 1.00 and 1.25 sales per week over the entire marketing life of the project.

Westlake Villages Conclusions

Pricing and Absorption Conclusions

The Gregory Group

COMMUNITY DETAILS								RECOMMENDATIONS										
Community		**Builder**	Home					Net	Base	Current Add-Ons			Total	Monthly Obligation (Base)			80%	
Location		**Master Plan**	Size					Base	Price/	Options/		Total	Price/	Monthly	Base	Add	3.00%	Req.
Product Summary		Sales Summary	(SF)	Bed	Bath	Levels	Gar	Price	Sq. Ft.	Upgrades	Premiums	Price	Sq. Ft.	HOA	Tax	Tax	Mo. Pmt	Income
Seasons (C1)		**Richmond American Homes**	2,080	3/F	2	1	2	$483,622	$233	$0	$0	$483,622	$233	$120	1.06%	0.46%	$2,364	$91,501
Stockton		**Westlake Villages**	2,680	3/F/L	2.5	2	2	$512,712	$191	$0	$0	$512,712	$191	$120	1.06%	0.46%	$2,499	$96,725
Product Type:	Detached	Total Units: 41	3,040	4/F/L/S	2.5	2	2	$536,962	$177	$0	$0	$536,962	$177	$120	1.06%	0.46%	$2,611	$101,080
Configuration:	Traditional																	
Lot Dimensions:	55 x 95																	
Lot Size/Density:	5,225																	
Rec. Wkly Abs.:	1.00																	
		Totals/Averages:	**2,600**					**$511,099**	**$200**	**$0**	**$0**	**$511,099**	**$200**	**$120**	**1.06%**	**0.46%**	**$2,491**	**$96,435**
The Cove (C1)		**Caresco Homes**	1,838	3	2	1	2	$454,990	$248	$0	$0	$454,990	$248	$120	1.06%	0.47%	$2,235	$86,505
Stockton		**Westlake Villages**	1,932	4	2	1	2	$467,990	$242	$0	$0	$467,990	$242	$120	1.06%	0.47%	$2,295	$88,844
Product Type:	Detached	Total Units: 46	2,108	4	2	1	2	$477,990	$227	$0	$0	$477,990	$227	$120	1.06%	0.47%	$2,342	$90,643
Configuration:	Traditional		2,309	4	3	2	3	$493,990	$214	$0	$0	$493,990	$214	$120	1.06%	0.47%	$2,416	$93,522
Lot Dimensions:	55 x 95		2,660	5/B	3	2	2	$525,990	$198	$0	$0	$525,990	$198	$120	1.06%	0.47%	$2,565	$99,279
Lot Size/Density:	5,225																	
Rec. Wkly Abs.:	1.00																	
		Totals/Averages:	**2,169**					**$484,190**	**$226**	**$0**	**$0**	**$484,190**	**$226**	**$120**	**1.06%**	**0.47%**	**$2,370**	**$91,759**
The Keys (C2)		**Lennar Homes**	1,662	3	2	1	2	$464,490	$279	$0	$0	$464,490	$279	$120	1.06%	0.49%	$2,287	$88,514
Stockton		**Westlake Villages**	2,166	4	2.5	1	2	$483,490	$223	$0	$0	$483,490	$223	$120	1.06%	0.49%	$2,375	$91,945
Product Type:	Detached	Total Units: 101	2,441	4	3	2	2	$507,490	$208	$0	$0	$507,490	$208	$120	1.06%	0.49%	$2,487	$96,278
Configuration:	Traditional		2,713	4/L	3	2	2	$515,490	$190	$0	$0	$515,490	$190	$120	1.06%	0.49%	$2,525	$97,723
Lot Dimensions:	55 x 95		3,156	4/NG/L	3.5	2	2	$563,490	$179	$0	$0	$563,490	$179	$120	1.06%	0.49%	$2,748	$106,390
Lot Size/Density:	5,225																	
Rec. Wkly Abs.:	1.00																	
		Totals/Averages:	**2,428**					**$506,890**	**$216**	**$0**	**$0**	**$506,890**	**$216**	**$120**	**1.06%**	**0.49%**	**$2,484**	**$96,170**
Palomino (F)		**D.R. Horton Homes**	1,500	--	--	--	--	$435,000	$290	$0	$0	$435,000	$290	$120	1.06%	0.51%	$2,156	$83,470
Stockton		**Westlake Villages**	1,700	--	--	--	--	$445,000	$262	$0	$0	$445,000	$262	$120	1.06%	0.51%	$2,203	$85,282
Product Type:	Detached	Total Units: 116	2,000	--	--	--	--	$460,000	$230	$0	$0	$460,000	$230	$120	1.06%	0.51%	$2,273	$88,000
Configuration:	Traditional		2,200	--	--	--	--	$470,000	$214	$0	$0	$470,000	$214	$120	1.06%	0.51%	$2,320	$89,812
Lot Dimensions:	45 x 100																	
Lot Size/Density:	4,500																	
Rec. Wkly Abs.:	1.25																	
		Totals/Averages:	**1,850**					**$452,500**	**$249**	**$0**	**$0**	**$452,500**	**$249**	**$120**	**1.06%**	**0.51%**	**$2,238**	**$86,641**

The absorption analysis is based on information provided by the developer which includes an estimate as to when villages will open for sales, infrastructure development, grading schedules, marketing considerations and anticipated market conditions. Furthermore, there are expected to be (and the market can sustain) several different projects selling simultaneously within each product type but built by different builders (i.e., there may be two different projects selling on 5,225 square foot lots at the same time but by different home builders). Additional factors considered in predicting absorption rates are:

- the desirability of Westlake Villages as a new-home destination;
- increasing new-home sales within the subject market area;
- Limited future inventory in the subject market area;
- current absorption rates for similar product types within the subject market area;
- and overall improving economic conditions and excellent housing conditions within the North Central Valley Region;

In conclusion, it is believed that the subject project can absorb an average of 1.07 units per week per product offering for all of the product offerings over the marketing life of the development given the pricing (with home sizes ranging from 1,500 to 3,156 square feet and base prices range from $435,000 to $563,490).

To-date, 162 units have sold, and it is projected that a total of 127 units will sell in the remainder of 2021 From February 10 through December 31), and 88 units in 2022. It should be noted that the schedule of product offerings (project entry dates) was provided by the developer; the decreases and increases in the number of units absorbed over time is a result of the scheduled market entry (and sellout of projects) and is not considered to be a result of changes in project absorption rates during the sales cycle of the projects.

All product offerings are anticipated to conclude sales by Third Quarter of 2022; the years to absorb the production homes is estimated to be 1.57 years from February 10, 2021.

	Project/ Village	Developer	Lot Size	Open Date	Total Number of Units	Est. Abs. Per Week	Sold Thru 2/10/2021	2021 From 02/10 - 12/31	Units Sold Per Year 2022	2023
Phase 1	Seasons (C1)	Richmond American Homes	5,225	Aug-20	41	1.00	36	5	0	0
	The Cove (C1)	Caresco Homes	5,225	Aug-20	26	1.00	25	1	0	0
	The Keys (C2)	Lennar Homes	5,225	Jul-20	40	1.00	28	12	0	0
	Regatta (D)--Sold Out	FCB Homes	5,225	Feb-20	73	--	73	--	--	--
	Palomino (F)	D.R. Horton Homes	4,500	Mar-21	72	1.25	0	54	18	0
Phase 2	The Cove (C1)	Caresco Homes	5,225	Feb-21	20	1.00	0	20	0	0
	The Keys (C2)	Lennar Homes	5,225	May-21	61	1.00	0	35	26	0
	Palomino (F)	D.R. Horton Homes	4,500	Apr-22	44	1.25	0	0	44	0
				Totals/Averages:	**377**	**1.07**	**162**	**127**	**88**	**0**

Years to Absorb (From 02/10/2021):	**1.57**

A previous absorption study was completed for the Westlake Villages project (dated June 2020) and considered the same 377 units as the current analysis. At the time of the previous analysis, only one of the projects within Westlake Villages was open for sale (three projects are now open and another project has recently sold out) and some of the project information had not yet been defined.

It is interesting to note how the changing market conditions as a result of the pandemic have accelerated absorption and increased pricing. For example, the conclusions of the June 2020 report offered an average price of $412,579 for a home with an average size of 2,256 square feet (an average of $183 per square foot). Eight months later conclusions within the current report offered an average price of $488,159 for an average sized home that is 2,246 square feet (and at a higher average price per square foot value of $217 per square foot).

Furthermore, the overall absorption rate for the June 2020 analysis within the absorption table was an average of 1.06 sales per week with a sellout date in the Third Quarter of 2022. The current analysis posts an average absorption rate of 1.07 sales per week and a sellout date of the Third Quarter of 2022; with higher overall pricing, the master plan is still tracking for a Third Quarter of 2022 sellout.

Furthermore, the competitive projects in the June 2020 report (while still five projects; only two were the same in both reports) posted an average price of $416,040 ($183 per square foot) and an overall average absorption rate of 0.99 sales per week. Since that time the new-home market in the competitive market area has improved significantly; the average home price is currently $485,961 ($200 per square foot) and the average overall sales pace is 1.20 units per week.

Given the shifting nature of work, a move to suburban locations, a recovering economy, optimism for an end to the pandemic and exceptionally low mortgage rates, there is a belief that the robust housing market in the North Central Valley Region will continue in the coming years.

Locational Assessment

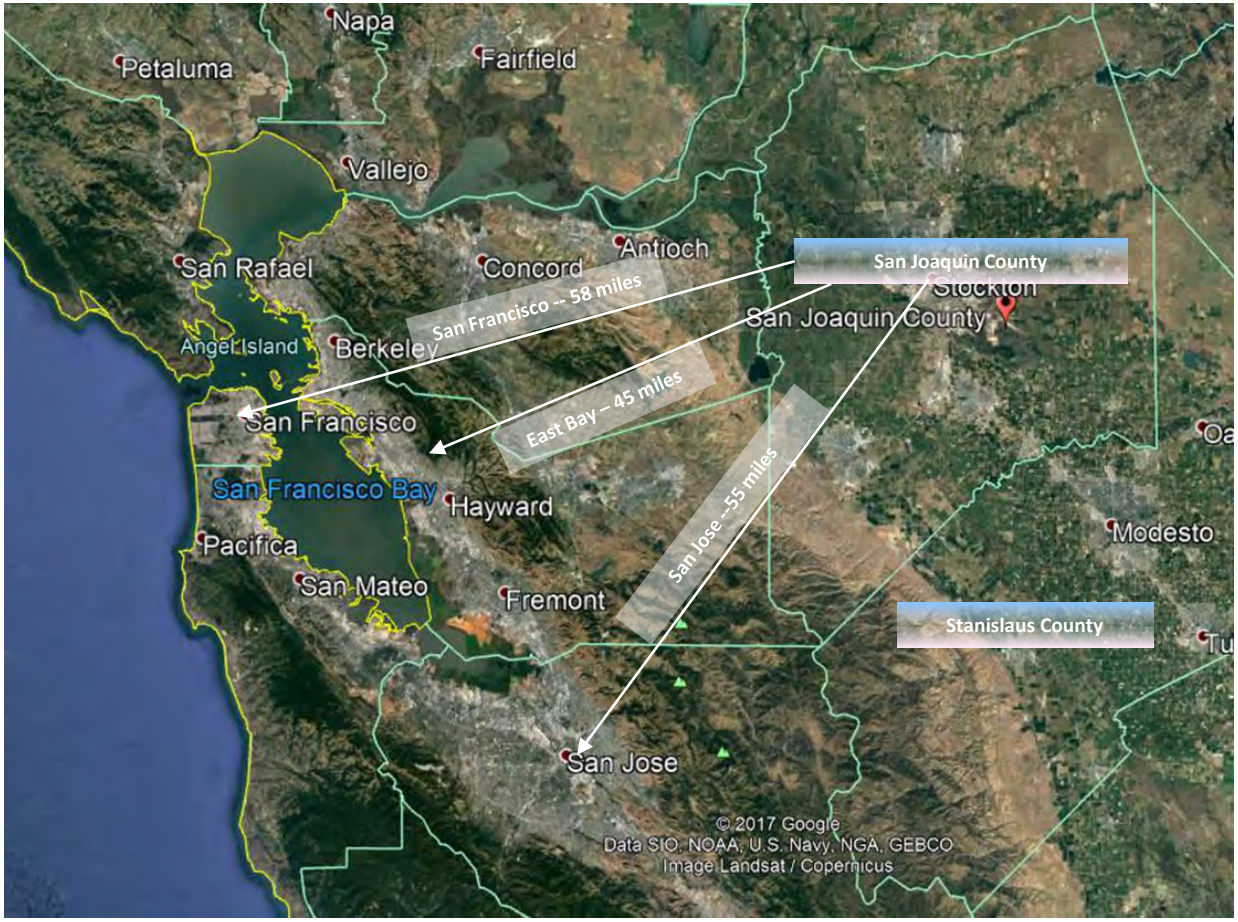
The North Central Valley Region consists of two counties; San Joaquin County and Stanislaus County. To best analyze the subject project, the Primary Market Area is defined as currently selling projects within the City of Stockton and specifically, north Stockton. A total of five currently selling projects and existing homes were analyzed from within the City of Stockton, the Eight Mile Road corridor of north Stockton from highway 99 to Interstate 5 and the immediate subject market area which includes the area of north Stockton that is west of Interstate 5. The immediate area of the subject site includes an abundance of newer (within the last 10 to 20 years) developed areas and these areas offer traditional suburban housing and are a relatively short distance from transportation corridors, services, conveniences, entertainment and employment.

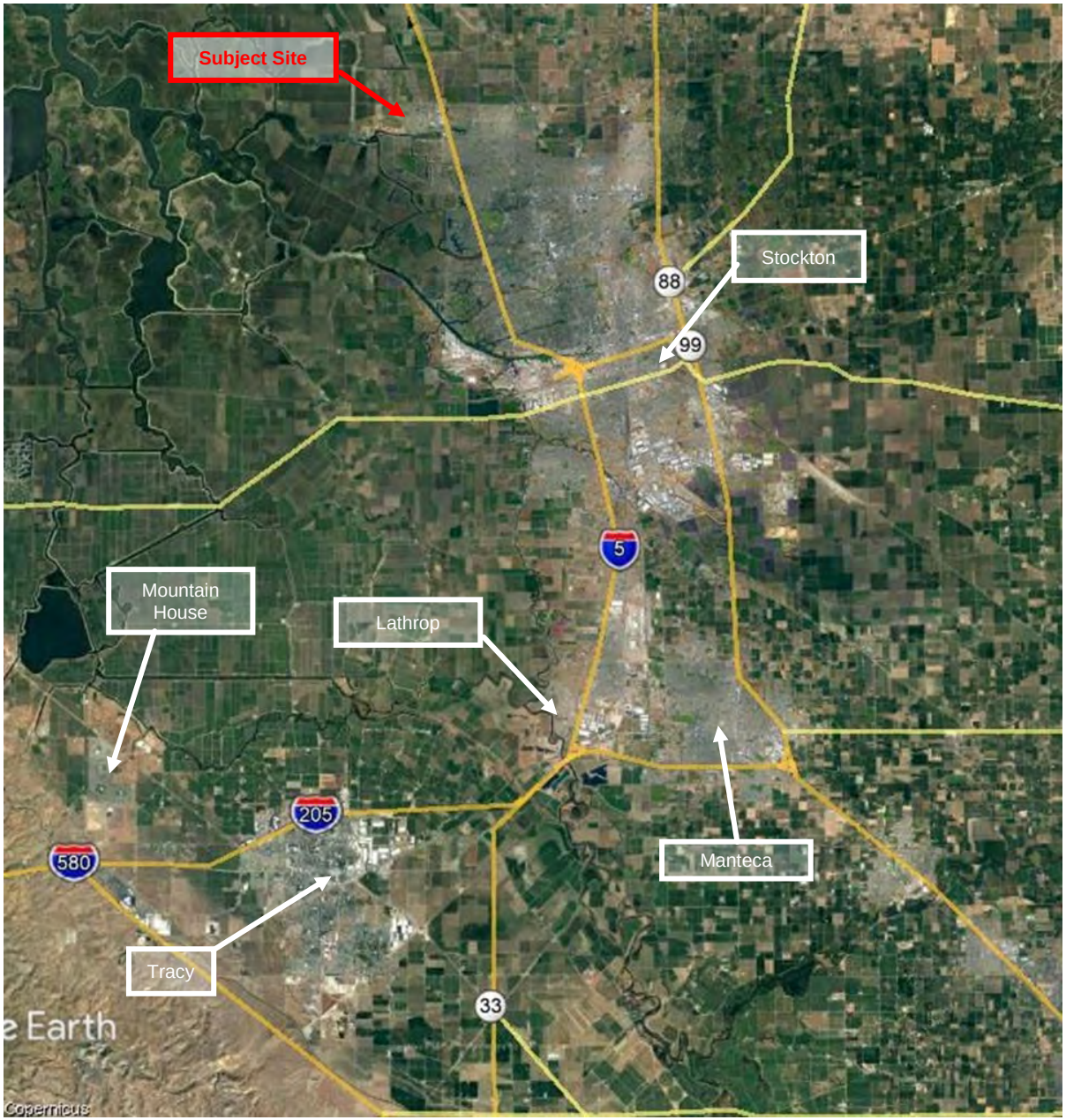
Given the location of new housing in the north Stockton market area, the suburban/rural living environment, the short distance from Interstate 5 and the abundance of conveniences, restaurants and entertainment close to the new development, Westlake Villages has been priced above competitive new home projects in the greater City of Stockton but below the higher priced projects in Tracy, Mountain House, Lathrop and Manteca (which are all closer to the San Francisco Bay Area).

Westlake Villages offers a lake, a good retail center with entertainment, restaurants, and recreation, strong schools and a well-educated population.

The potential for continued development at a location which is situated west of Interstate 5, along with the scale of the potential development (allowing for whole new "communities" within the market area), has the potential to provide a variety of housing choices to a wider potential buyer population.

Westlake Villages offers an energetic, vibrant, community focused and family orientated living environment that is attractive to a wide range of people.




Subject Site
Stockton
88
99
5
Mountain House
Lathrop
205
580
Manteca
Tracy
33
Earth
Copernicus

Interstate 5
Park West Place Shopping Center
Walmart Super Center
Eight Mile Road
Manilo Silva Elementary School
Westlake Villages
Future Housing

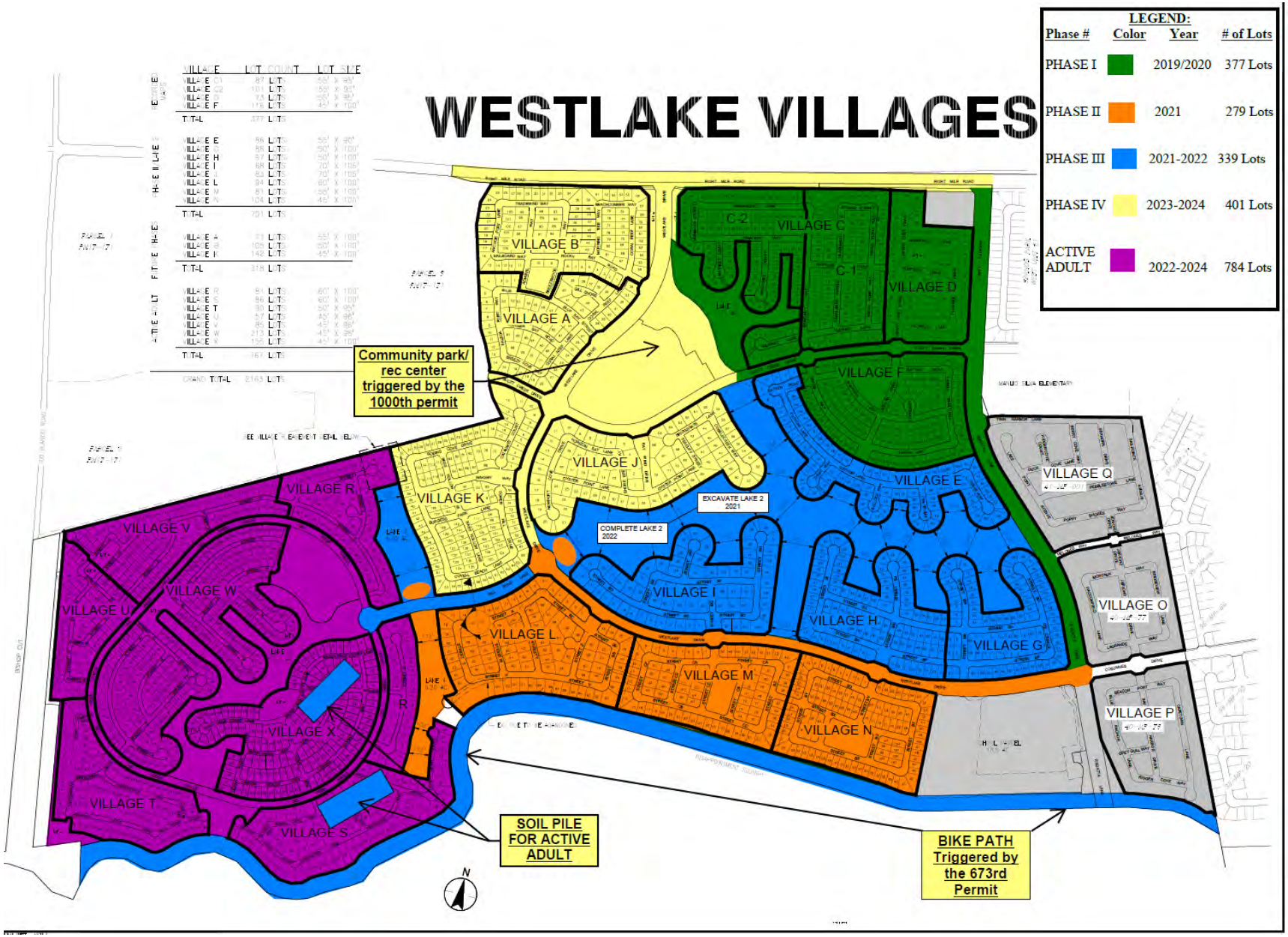
To best analyze the subject project, new-home communities in north Stockton (the Eight Mile Road corridor) were analyzed; these communities are comparable for many buyers when making a home purchase and were specifically chosen based on location, lot size and product type. Projects that are located in Stockton tend to offer generally more affordable housing options then communities that are located further to the west (i.e., Mountain House, Tracy, Lathrop and Manteca); providing a clear distinction to potential home buyers. Westlake Villages provides an option to homebuyers in a location that is within commuting distance to the employment centers in the San Francisco Bay Area as well as providing easy access to the Sacramento Region to the north.

San Joaquin County:

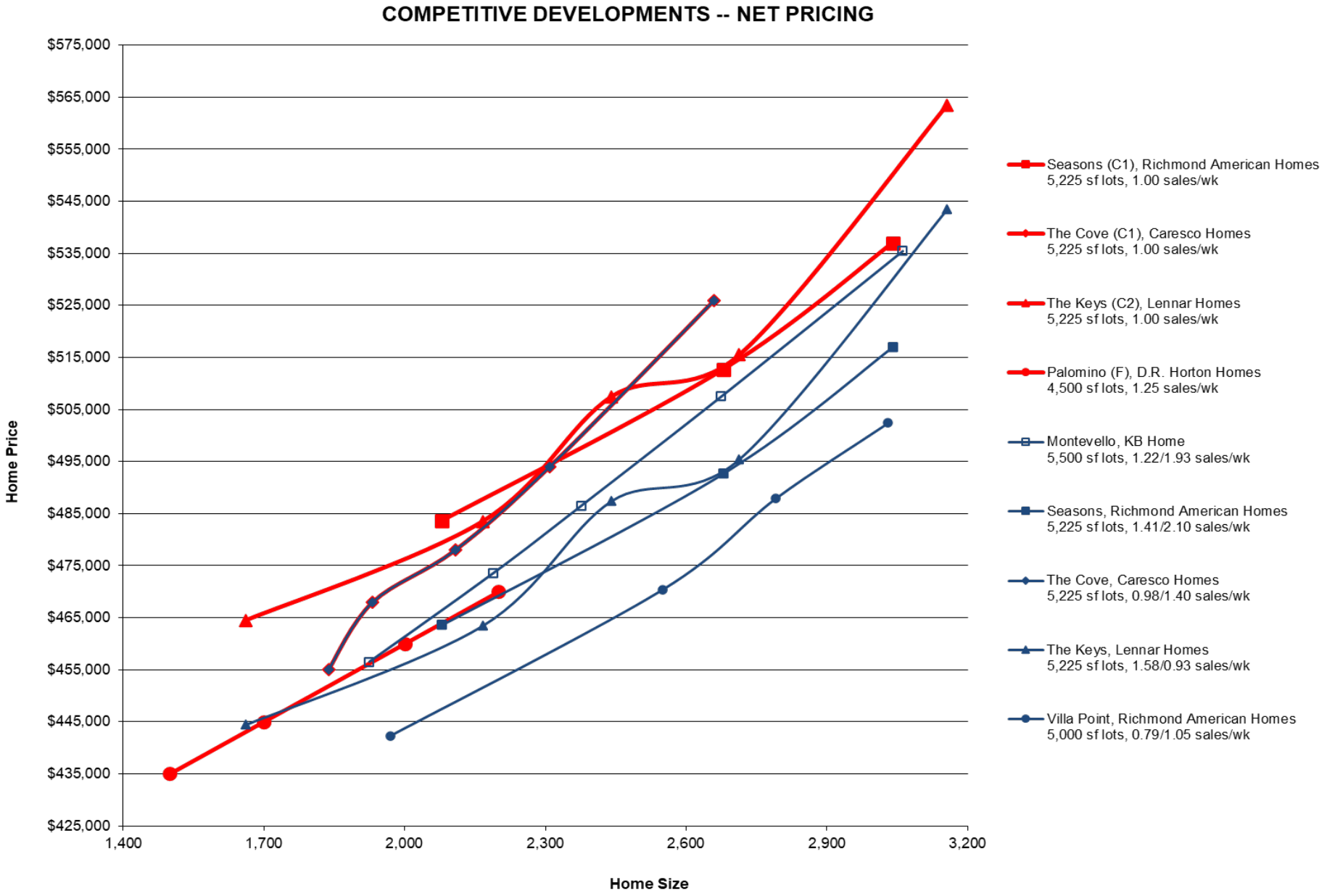
- Provides a desirable lifestyle for today's price sensitive and lifestyle buyers;
- Provides a variety of housing options including master planned community living, existing housing, and traditional subdivision housing;
- Family focused and friendly communities;

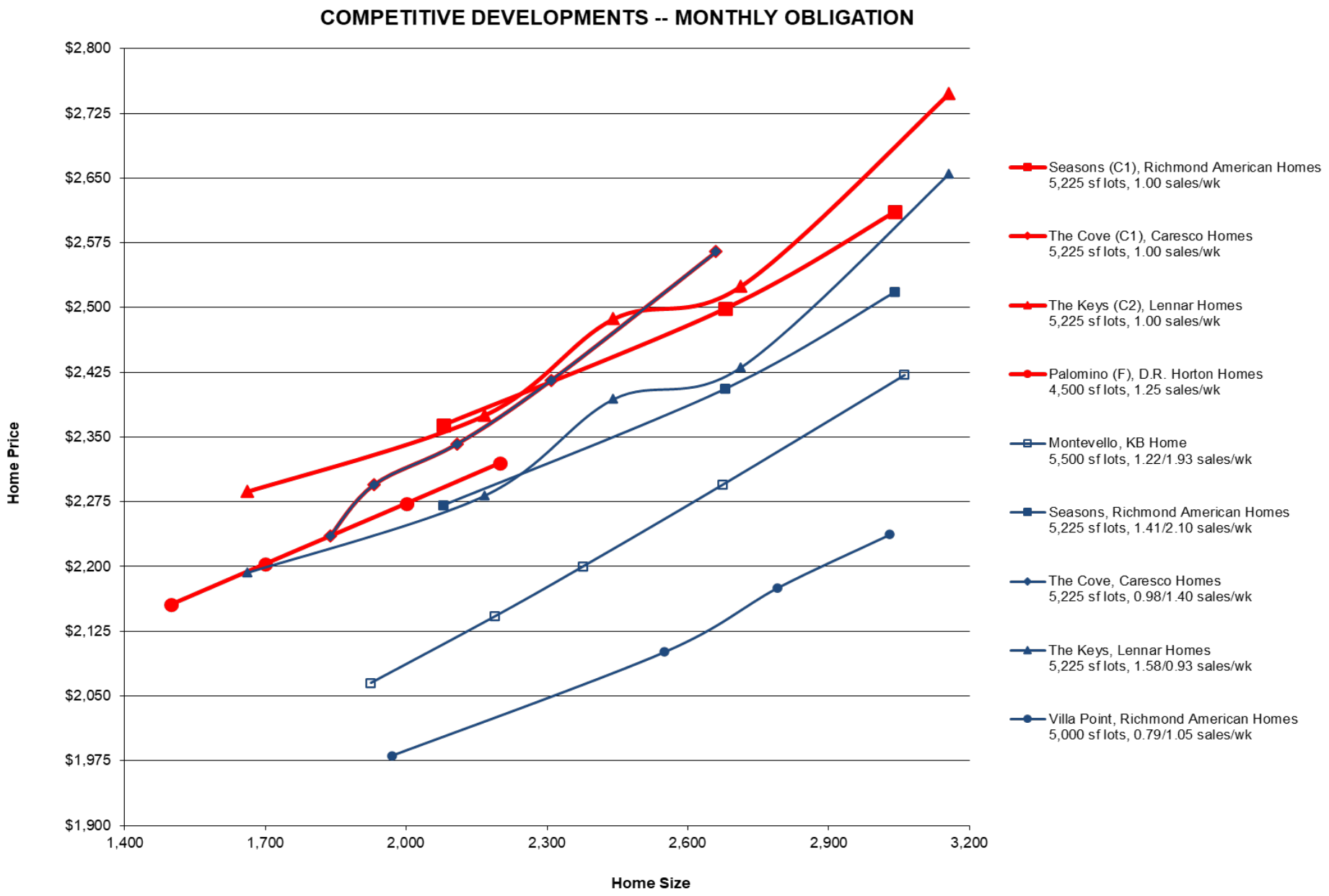
Westlake Villages:

- Is located within proximity to local services and conveniences in Stockton and throughout San Joaquin County as well as employment and the major transportation corridors throughout the region;
- The subject property is well located in the Westlake Villages planned community, to the west of Interstate 5 (with direct access to San Francisco and Sacramento).
- The subject project provides an opportunity for the continuation of new housing in an area with connectivity and easy access to surrounding businesses, employment, water features, walking trails, community amenities, open space and parks.
- Westlake Villages offers an appropriate land plan, community amenities and anticipated product design/execution.


WESTLAKE VILLAGES
LEGEND:
Phase # Color Year # of Lots
PHASE I 2019/2020 377 Lots
PHASE II 2021 279 Lots
PHASE III 2021-2022 339 Lots
PHASE IV 2023-2024 401 Lots
ACTIVE ADULT 2022-2024 784 Lots
VILLAGE A
VILLAGE B
VILLAGE C
VILLAGE D
VILLAGE E
VILLAGE F
VILLAGE G
VILLAGE H
VILLAGE I
VILLAGE J
VILLAGE K
VILLAGE L
VILLAGE M
VILLAGE N
VILLAGE O
VILLAGE P
VILLAGE Q
VILLAGE R
VILLAGE S
VILLAGE T
VILLAGE U
VILLAGE V
VILLAGE W
VILLAGE X
C-1
C-2
Community park/ rec center triggered by the 1000th permit
EXCAVATE LAKE 2 2021
COMPLETE LAKE 2 2022
SOIL PILE FOR ACTIVE ADULT
BIKE PATH Triggered by the 673rd Permit
N

Competitive Housing Analysis

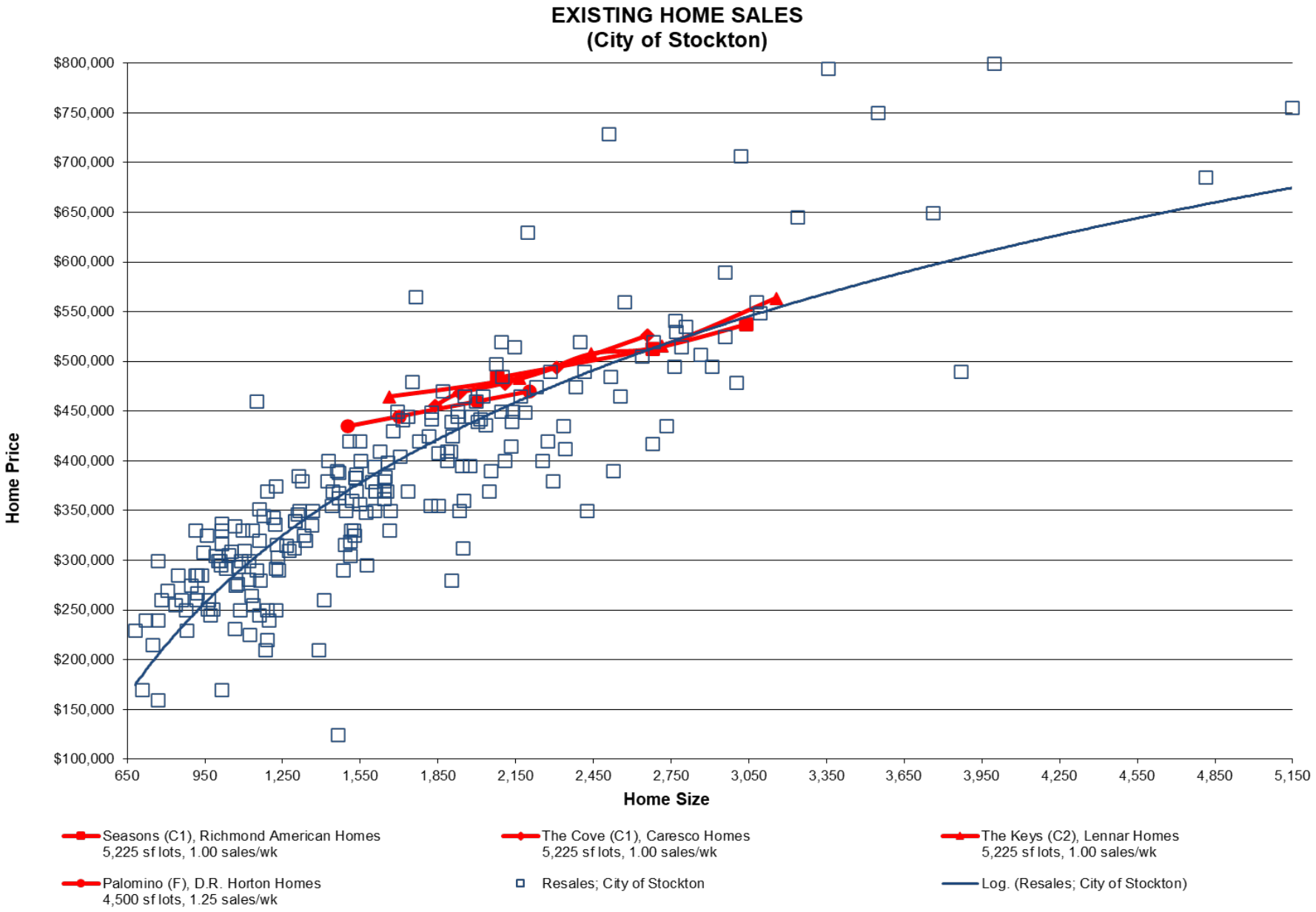

COMPETITIVE DEVELOPMENTS -- NET PRICING
Home Price
$575,000
$565,000
$555,000
$545,000
$535,000
$525,000
$515,000
$505,000
$495,000
$485,000
$475,000
$465,000
$455,000
$445,000
$435,000
$425,000
1,400
1,700
2,000
2,300
2,600
2,900
3,200
Home Size
Seasons (C1), Richmond American Homes
5,225 sf lots, 1.00 sales/wk
The Cove (C1), Caresco Homes
5,225 sf lots, 1.00 sales/wk
The Keys (C2), Lennar Homes
5,225 sf lots, 1.00 sales/wk
Palomino (F), D.R. Horton Homes
4,500 sf lots, 1.25 sales/wk
Montevello, KB Home
5,500 sf lots, 1.22/1.93 sales/wk
Seasons, Richmond American Homes
5,225 sf lots, 1.41/2.10 sales/wk
The Cove, Caresco Homes
5,225 sf lots, 0.98/1.40 sales/wk
The Keys, Lennar Homes
5,225 sf lots, 1.58/0.93 sales/wk
Villa Point, Richmond American Homes
5,000 sf lots, 0.79/1.05 sales/wk

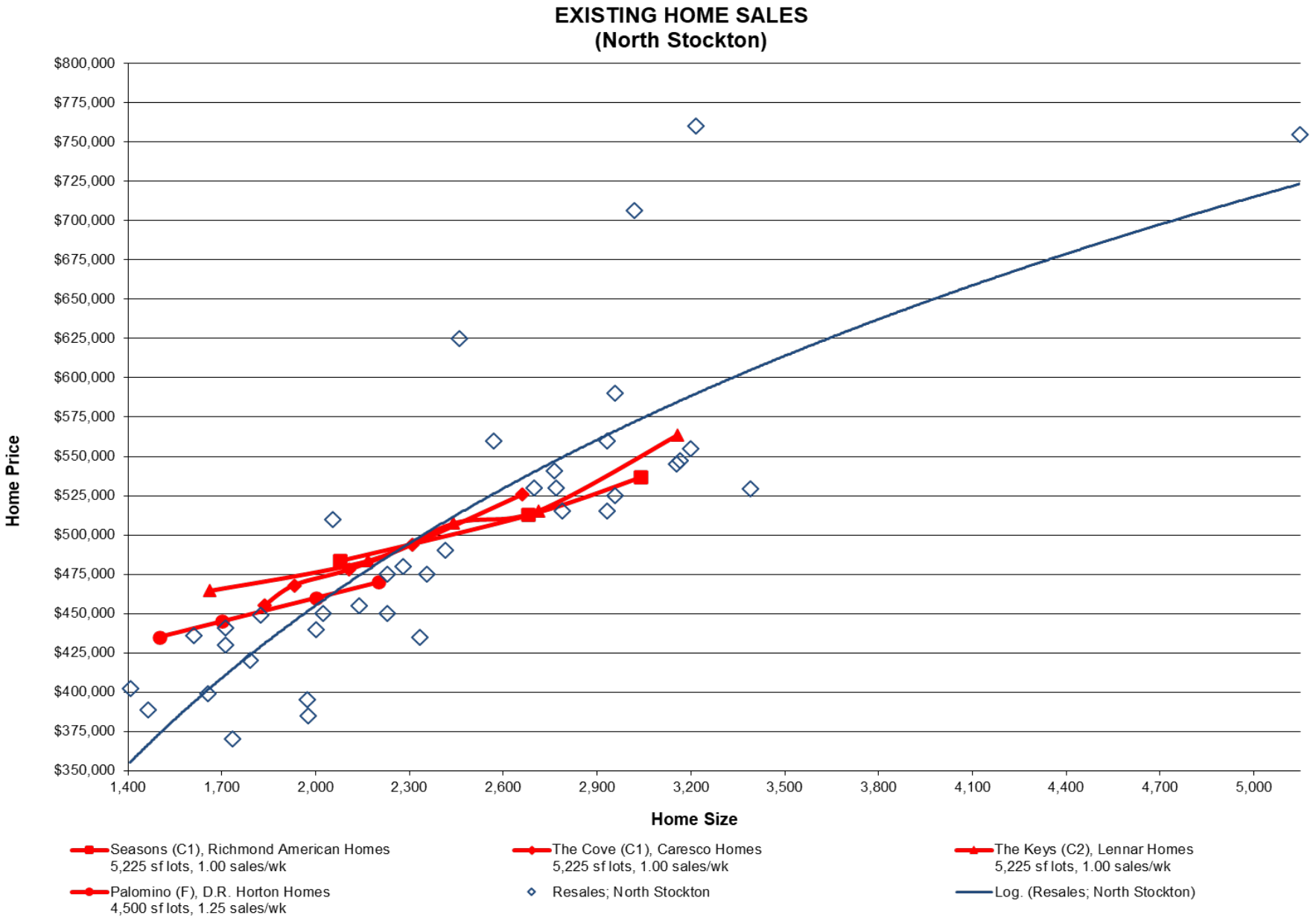

COMPETITIVE DEVELOPMENTS -- MONTHLY OBLIGATION
Home Price
$2,800
$2,725
$2,650
$2,575
$2,500
$2,425
$2,350
$2,275
$2,200
$2,125
$2,050
$1,975
$1,900
1,400
1,700
2,000
2,300
2,600
2,900
3,200
Home Size
Seasons (C1), Richmond American Homes
5,225 sf lots, 1.00 sales/wk
The Cove (C1), Caresco Homes
5,225 sf lots, 1.00 sales/wk
The Keys (C2), Lennar Homes
5,225 sf lots, 1.00 sales/wk
Palomino (F), D.R. Horton Homes
4,500 sf lots, 1.25 sales/wk
Montevello, KB Home
5,500 sf lots, 1.22/1.93 sales/wk
Seasons, Richmond American Homes
5,225 sf lots, 1.41/2.10 sales/wk
The Cove, Caresco Homes
5,225 sf lots, 0.98/1.40 sales/wk
The Keys, Lennar Homes
5,225 sf lots, 1.58/0.93 sales/wk
Villa Point, Richmond American Homes
5,000 sf lots, 0.79/1.05 sales/wk

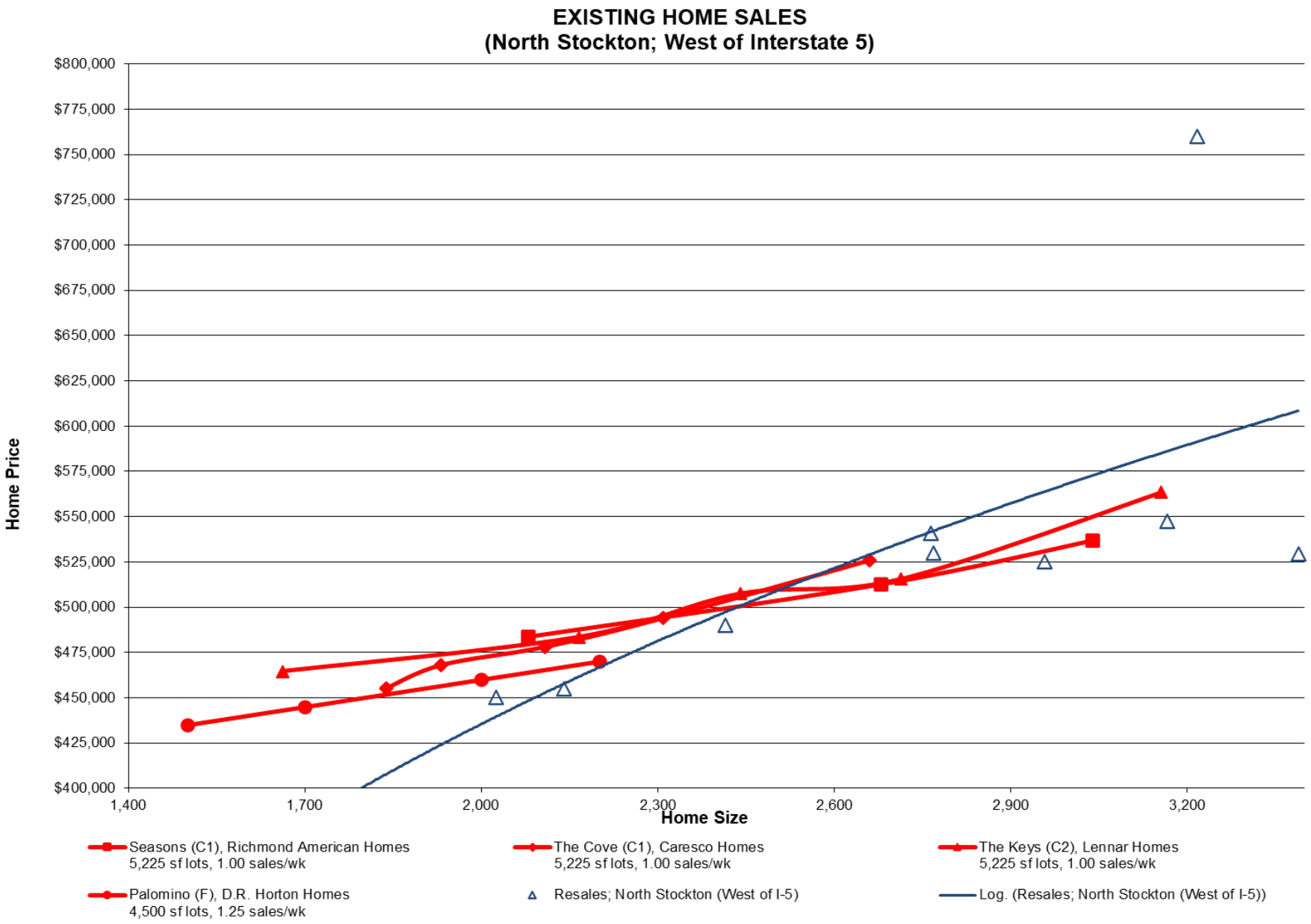
Competitive Housing Analysis
New-Home Projects

The Gregory Group

COMMUNITY DETAILS				PRODUCT SUMMARY					MARKET PRICING SUMMARY														
Community / Location / Product Summary			Builder / Master Plan / Sales Summary	Home Size (SF)	Bed	Bath	Levels	Gar	Base Price	Base Price/ Sq. Ft.	Current Incentives: Price Reduction	Options/ Upgrades	Closing $/ Other	Net Base Price	Net Base Price/ Sq. Ft.	Current Add-Ons: Options/ Upgrades	Premiums	Total Price	Total Price/ Sq. Ft.	Monthly Payment: Monthly HOA	Base Tax	Add Tax	80% 3.00% Mo. Pmt	Req. Income
Primary Market Area	**Montevello**		**KB Home**	1,925	3	2	1	2	$461,500	$240	$0	$0	$5,000	$456,500	$237	$0	$0	$456,500	$237	$0	1.06%	0.32%	$2,065	$79,923
	Stockton		**None**	2,188	3/D	2	1	2	$478,500	$219	$0	$0	$5,000	$473,500	$216	$0	$0	$473,500	$216	$0	1.06%	0.32%	$2,142	$82,899
	Product Type:	Detached	Total Units: 276	2,376	3/D/L	2.5	2	2	$491,500	$207	$0	$0	$5,000	$486,500	$205	$0	$0	$486,500	$205	$0	1.06%	0.32%	$2,200	$85,175
	Configuration:	Traditional	Units Offered: 190	2,674	4/D/L	2.5	2	2	$512,500	$192	$0	$0	$5,000	$507,500	$190	$0	$0	$507,500	$190	$0	1.06%	0.32%	$2,295	$88,852
	Lot Dimensions:	55 x 100	Units Sold: 185	3,061	5/D/B	3	2	2	$540,500	$177	$0	$0	$5,000	$535,500	$175	$0	$0	$535,500	$175	$0	1.06%	0.32%	$2,422	$93,754
	Lot Size/Density:	5,500	Recent Sold: 11																				
	Open Date:	Mar-18	Total RU: 91																				
	Overall Sales Rate:	1.22	Total % R: 33%																				
	Recent Sales Rate:	1.93	Unsold RU: 5																				
			Averages:	**2,445**					**$496,900**	**$207**	**$0**	**$0**	**$5,000**	**$491,900**	**$205**	**$0**	**$0**	**$491,900**	**$205**	**$0**	**1.06%**	**0.32%**	**$2,225**	**$86,121**
Primary Market Area	**Seasons**		**Richmond American Homes**	2,080	3/F	2	1	2	$477,950	$230	$0	$0	$14,328	$463,622	$223	$0	$0	$463,622	$223	$120	1.06%	0.46%	$2,271	$87,909
	Stockton		**Westlake Villages**	2,680	3/F/L	2.5	2	2	$507,950	$190	$0	$0	$15,238	$492,712	$184	$0	$0	$492,712	$184	$120	1.06%	0.46%	$2,406	$93,133
	Product Type:	Detached	Total Units: 41	3,040	4/F/L/S	2.5	2	2	$532,950	$175	$0	$0	$15,988	$516,962	$170	$0	$0	$516,962	$170	$120	1.06%	0.46%	$2,518	$97,488
	Configuration:	Traditional	Units Offered: 36																				
	Lot Dimensions:	55 x 95	Units Sold: 36																				
	Lot Size/Density:	5,225	Recent Sold: 12																				
	Open Date:	Aug-20	Total RU: 5																				
	Overall Sales Rate:	1.41	Total % R: 12%																				
	Recent Sales Rate:	2.10	Unsold RU: 0																				
			Averages:	**2,600**					**$506,283**	**$198**	**$0**	**$0**	**$15,185**	**$491,099**	**$192**	**$0**	**$0**	**$491,099**	**$192**	**$120**	**1.06%**	**0.46%**	**$2,398**	**$92,843**
Primary Market Area	**The Cove**		**Caresco Homes**	1,838	3	2	1	2	$454,990	$248	$0	$0	$0	$454,990	$248	$0	$0	$454,990	$248	$120	1.06%	0.47%	$2,235	$86,505
	Stockton		**Westlake Villages**	1,932	4	2	1	2	$467,990	$242	$0	$0	$0	$467,990	$242	$0	$0	$467,990	$242	$120	1.06%	0.47%	$2,295	$88,844
	Product Type:	Detached	Total Units: 46	2,108	4	2	1	2	$477,990	$227	$0	$0	$0	$477,990	$227	$0	$0	$477,990	$227	$120	1.06%	0.47%	$2,342	$90,643
	Configuration:	Traditional	Units Offered: 25	2,309	4	3	2	3	$493,990	$214	$0	$0	$0	$493,990	$214	$0	$0	$493,990	$214	$120	1.06%	0.47%	$2,416	$93,522
	Lot Dimensions:	55 x 95	Units Sold: 25	2,660	5/B	3	2	2	$525,990	$198	$0	$0	$0	$525,990	$198	$0	$0	$525,990	$198	$120	1.06%	0.47%	$2,565	$99,279
	Lot Size/Density:	5,225	Recent Sold: 8																				
	Open Date:	Aug-20	Total RU: 21																				
	Overall Sales Rate:	0.98	Total % R: 46%																				
	Recent Sales Rate:	1.40	Unsold RU: 0																				
			Averages:	**2,169**					**$484,190**	**$226**	**$0**	**$0**	**$0**	**$484,190**	**$226**	**$0**	**$0**	**$484,190**	**$226**	**$120**	**1.06%**	**0.47%**	**$2,370**	**$91,759**
Primary Market Area	**The Keys**		**Lennar Homes**	1,662	3	2	1	2	$445,990	$268	$0	$0	$1,500	$444,490	$267	$0	$0	$444,490	$267	$120	1.06%	0.49%	$2,193	$84,903
	Stockton		**Westlake Villages**	2,166	4	2.5	1	2	$464,990	$215	$0	$0	$1,500	$463,490	$214	$0	$0	$463,490	$214	$120	1.06%	0.49%	$2,282	$88,333
	Product Type:	Detached	Total Units: 101	2,441	4	3	2	2	$488,990	$200	$0	$0	$1,500	$487,490	$200	$0	$0	$487,490	$200	$120	1.06%	0.49%	$2,394	$92,667
	Configuration:	Traditional	Units Offered: 35	2,713	4/L	3	2	2	$496,990	$183	$0	$0	$1,500	$495,490	$183	$0	$0	$495,490	$183	$120	1.06%	0.49%	$2,431	$94,111
	Lot Dimensions:	55 x 95	Units Sold: 28	3,156	4/NG/L	3.5	2	2	$544,990	$173	$0	$0	$1,500	$543,490	$172	$0	$0	$543,490	$172	$120	1.06%	0.49%	$2,655	$102,778
	Lot Size/Density:	5,225	Recent Sold: 9																				
	Open Date:	Jul-20	Total RU: 73																				
	Overall Sales Rate:	1.58	Total % R: 72%																				
	Recent Sales Rate:	0.93	Unsold RU: 7																				
			Averages:	**2,428**					**$488,390**	**$208**	**$0**	**$0**	**$1,500**	**$486,890**	**$207**	**$0**	**$0**	**$486,890**	**$207**	**$120**	**1.06%**	**0.49%**	**$2,391**	**$92,559**
Primary Market Area	**Villa Point**		**Richmond American Homes**	1,970	3	2.5	1	2	$455,950	$231	$0	$0	$13,678	$442,272	$225	$0	$0	$442,272	$225	$99	1.06%	0.00%	$1,981	$76,699
	Stockton		**Destinations**	2,550	3/L	2.5	2	3T	$484,950	$190	$0	$0	$14,548	$470,402	$184	$0	$0	$470,402	$184	$99	1.06%	0.00%	$2,101	$81,333
	Product Type:	Detached	Total Units: 122	2,790	3/S/L	2.5	2	2	$502,950	$180	$0	$0	$15,088	$487,862	$175	$0	$0	$487,862	$175	$99	1.06%	0.00%	$2,175	$84,210
	Configuration:	Traditional	Units Offered: 119	3,030	4/S/L	2.5	2	3	$517,950	$171	$0	$0	$15,538	$502,412	$166	$0	$0	$502,412	$166	$99	1.06%	0.00%	$2,237	$86,607
	Lot Dimensions:	50 x 100	Units Sold: 119																				
	Lot Size/Density:	5,000	Recent Sold: 6																				
	Open Date:	Mar-18	Total RU: 3																				
	Overall Sales Rate:	0.79	Total % R: 2%																				
	Recent Sales Rate:	1.05	Unsold RU: 0																				
			Averages:	**2,585**					**$490,450**	**$193**	**$0**	**$0**	**$14,713**	**$475,737**	**$187**	**$0**	**$0**	**$475,737**	**$187**	**$99**	**1.06%**	**0.00%**	**$2,124**	**$82,212**


EXISTING HOME SALES
(City of Stockton)
Home Price
$800,000
$750,000
$700,000
$650,000
$600,000
$550,000
$500,000
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
650
950
1,250
1,550
1,850
2,150
2,450
2,750
3,050
3,350
3,650
3,950
4,250
4,550
4,850
5,150
Home Size
Seasons (C1), Richmond American Homes
5,225 sf lots, 1.00 sales/wk
The Cove (C1), Caresco Homes
5,225 sf lots, 1.00 sales/wk
The Keys (C2), Lennar Homes
5,225 sf lots, 1.00 sales/wk
Palomino (F), D.R. Horton Homes
4,500 sf lots, 1.25 sales/wk
Resales; City of Stockton
Log. (Resales; City of Stockton)


EXISTING HOME SALES
(North Stockton)
Home Price
$800,000
$775,000
$750,000
$725,000
$700,000
$675,000
$650,000
$625,000
$600,000
$575,000
$550,000
$525,000
$500,000
$475,000
$450,000
$425,000
$400,000
$375,000
$350,000
1,400
1,700
2,000
2,300
2,600
2,900
3,200
3,500
3,800
4,100
4,400
4,700
5,000
Home Size
Seasons (C1), Richmond American Homes
5,225 sf lots, 1.00 sales/wk
The Cove (C1), Caresco Homes
5,225 sf lots, 1.00 sales/wk
The Keys (C2), Lennar Homes
5,225 sf lots, 1.00 sales/wk
Palomino (F), D.R. Horton Homes
4,500 sf lots, 1.25 sales/wk
Resales; North Stockton
Log. (Resales; North Stockton)


EXISTING HOME SALES
(North Stockton; West of Interstate 5)
Home Price
$800,000
$775,000
$750,000
$725,000
$700,000
$675,000
$650,000
$625,000
$600,000
$575,000
$550,000
$525,000
$500,000
$475,000
$450,000
$425,000
$400,000
1,400
1,700
2,000
2,300
2,600
2,900
3,200
Home Size
Seasons (C1), Richmond American Homes
5,225 sf lots, 1.00 sales/wk
The Cove (C1), Caresco Homes
5,225 sf lots, 1.00 sales/wk
The Keys (C2), Lennar Homes
5,225 sf lots, 1.00 sales/wk
Palomino (F), D.R. Horton Homes
4,500 sf lots, 1.25 sales/wk
Resales; North Stockton (West of I-5)
Log. (Resales; North Stockton (West of I-5))

Potential Future Supply

Within the subject property market area (the Eight Mile Road corridor; and including the subject project) there are currently a total of 17,281 units planned for future development on a total of 4,261.9 acres; resulting in a density of 4.1 units per acre. It is important to note that while there are a great number of projects in the subject market area, it is unlikely that a substantial number of units will enter the market in the near term (based on development issues including approvals, financing as well as current competitive market conditions). In many instances, as new projects enter the market, older projects sell out; this maintains a relatively balanced (in terms of project distribution; but not based on demand) flow of projects. In fact, it is estimated that (and not including the subject project), 96% of the units will only be developed in the future, leaving the potential for four-percent or approximately 558 units to be developed in the coming years

There are two subdivisions that may enter the market in the near term; D.R. Horton Homes is planning on 116 units in the Westlake Villages master planned community (as previously outlined and discussed in this analysis; the project is called Palomino) and KB Home will be opening a new project to the east of Interstate 5 and south of Eight Mile Road and will include approximately 99 units on 2,400 square foot lots with homes sized from 1,591 to 2,252 square feet. The project is called Verona.

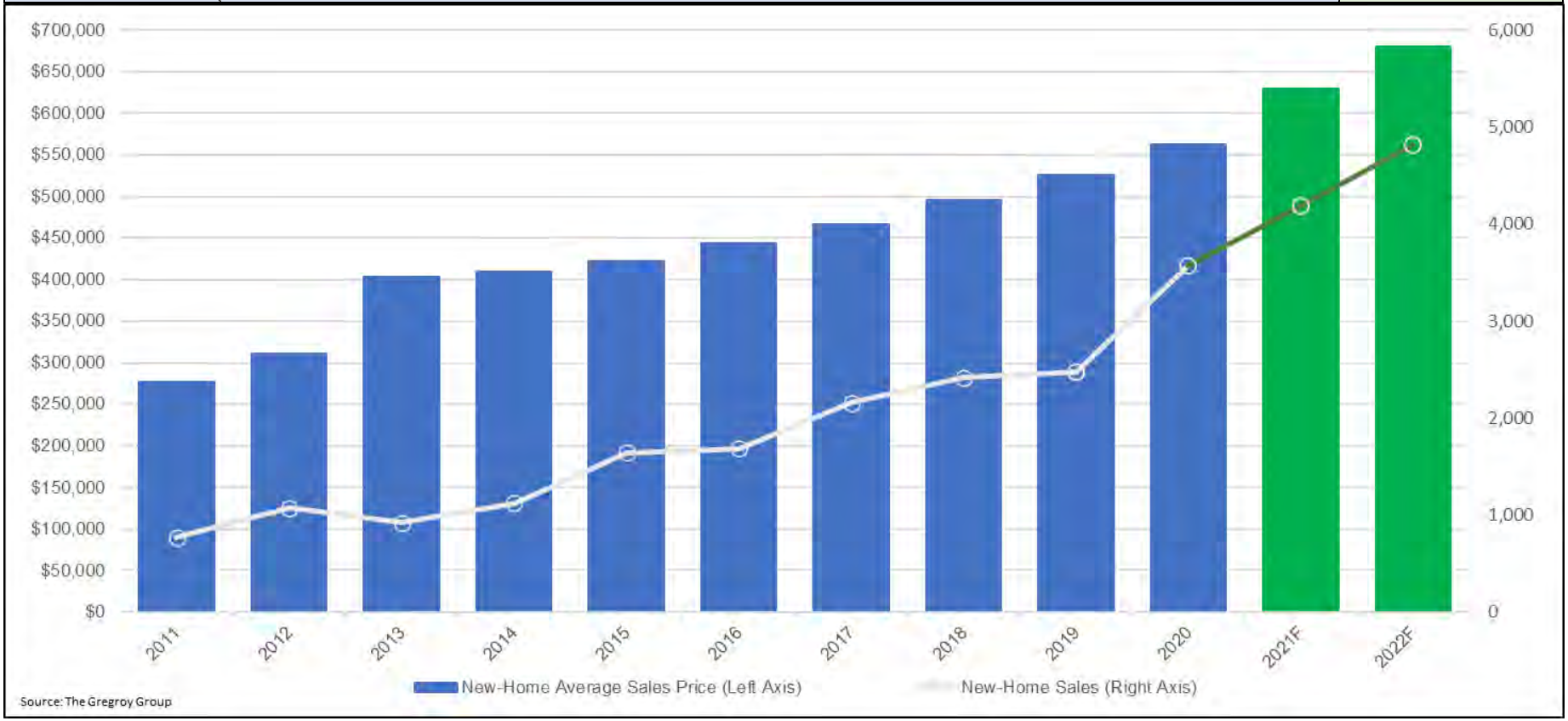
Project Name	Developer/Owner	Location	Number Of Units	Acres	Density	Comments
Delta Cove	Spanos	Stockton	1,545	359.5	4.3	Tentative project approved with no current development. Project includes 381 multi-family units and office and commercial uses. Located west of Interstate 5 and south of the subject project.
Sanctuary	Grupe	Stockton	7,070	1,967.2	3.6	Tentative project approval with no current development. Project includes office, retail and mixed-uses. Located west of Interstate 5 and south of the subject project.
Westlake	Spanos	Stockton	2,630	681.7	3.9	Project has Tentative Map Approval with major infrastructure started; one project currently selling and four more planned to enter the market shortly. Project includes a lake and marina. Located south of 8 Mile Road and west of Interstate 5.
Crystal Bay	Spanos	Stockton	1,343	173.0	7.8	Project has tentative approval with no infrastructure started. Located south of 8 Mile Road and west of the subject project.
Cannery Park	HD Arnziz/Holman Road Investors	Stockton	1,194	450.0	2.7	Project has Tentative Map Approval with some infrastructure. Project include commercial and industrial and is located south of 8-Mile Road and west of Highway 99.
Bear Creek South	Bear Creek Developments	Stockton	2,941	510.0	5.8	Project is in the planning stages and is located north of Morada Lane and west of Highway 99.
North Stockton Projects III	--	Stockton	253	24.4	10.4	Project has Tentative Map Approval and is within a master plan of previous development. Located south of 8 Mile Road and west of Lower Sacramento Road. Includes 99 units in a coming soon project being developed by KB Home. The project, Verona, is planned of homes sized from 1,591 to 2,252 square feet on lots sized at 2,400 square feet (40-foot wide by 60-foot deep). The project includes a clubhouse, pool/spa and paly area and is gated.
Silver Springs/Gold Springs	--	Stockton	305	96.0	3.2	Tentative Map Approval. Located south of 8 Mile Road and east of Thornton Road.
		Averages/Totals:	**17,281**	**4,261.9**	**4.1**	

New Housing Market

Between 2015 and 2019 the North Central Valley Region averaged 2,326 new-home sales per year, but sales posted a big increase in 2020 (up 44.3%) due to the continuing influences of COVID-19 and the resulting positive effects the pandemic has had on the housing market. It is forecast that the number of new-home sales in 2021 will reach nearly 4,200 units (up 17.5%) and that this trend is anticipated to continue into 2022 (up an additional 15.0%). In addition, pricing is forecast to appreciate at a greater rate in 2021 (up 12.0%) and another 8.0% in 2022. It is pretty clear, especially based on price appreciation, home sales and the limited inventory, there is a strong demand for new-housing in the region.

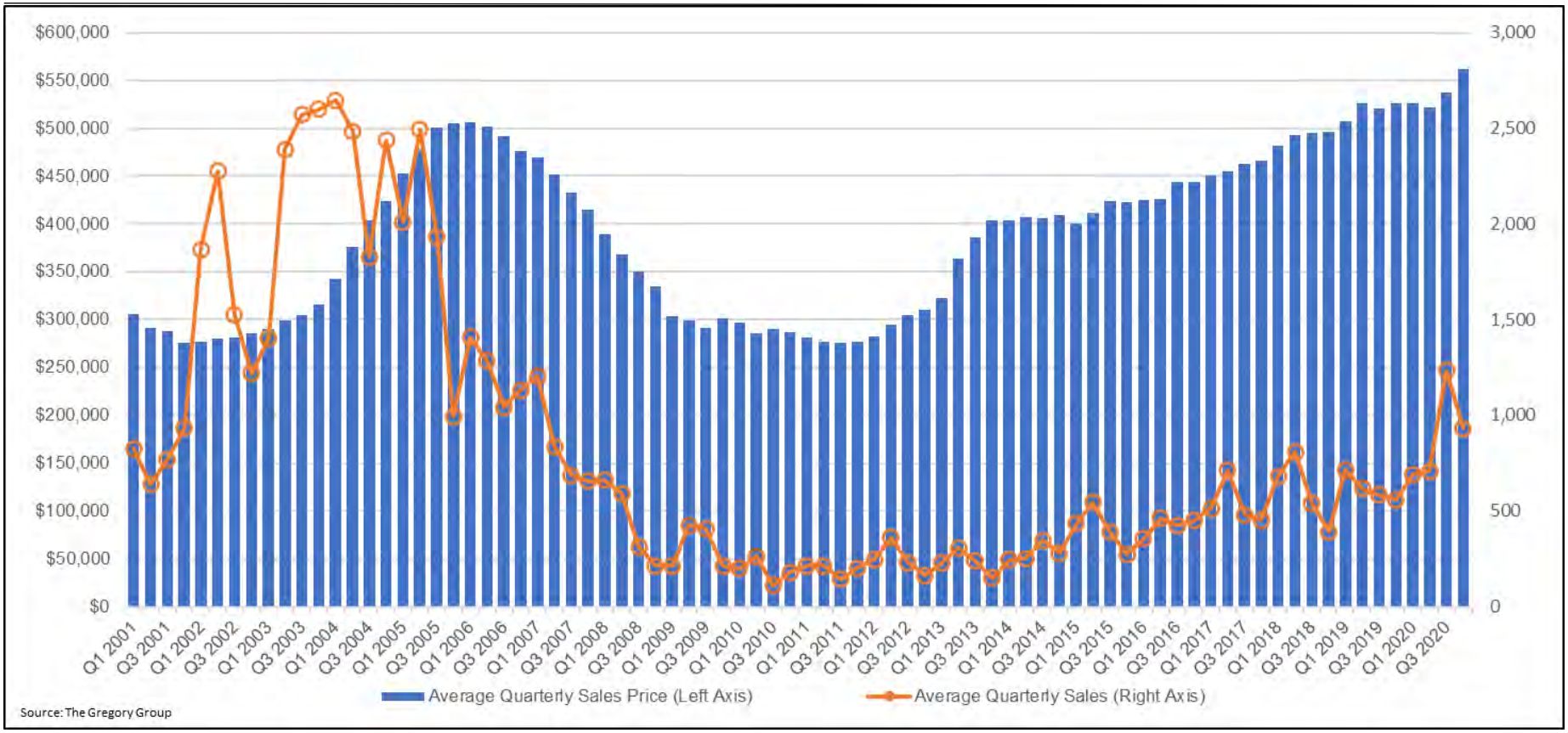
New Housing Home Sales	Stockton-Lodi MSA/Modesto MSA -- Ten Year History										Two-Year Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021F	2022F
New-Home Sales	772	1,073	922	1,123	1,642	1,690	2,160	2,419	2,473	3,569	4,193	4,822
Annual Percent Change:	14.9%	36.2%	-10.7%	22.0%	36.5%	2.9%	27.8%	12.0%	2.2%	44.3%	17.5%	15.0%

New Housing Average Sales Price	Stockton-Lodi MSA/Modesto MSA -- Ten Year History										Two-Year Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021F	2022F
New-Home Average Price	$276,543	$310,403	$403,212	$409,256	$422,829	$443,712	$466,034	$496,245	$526,253	$562,166	$629,625	$679,995
Annual Percent Change:	-3.5%	12.2%	29.9%	1.5%	3.3%	4.9%	5.0%	6.5%	6.1%	6.8%	12.0%	8.0%



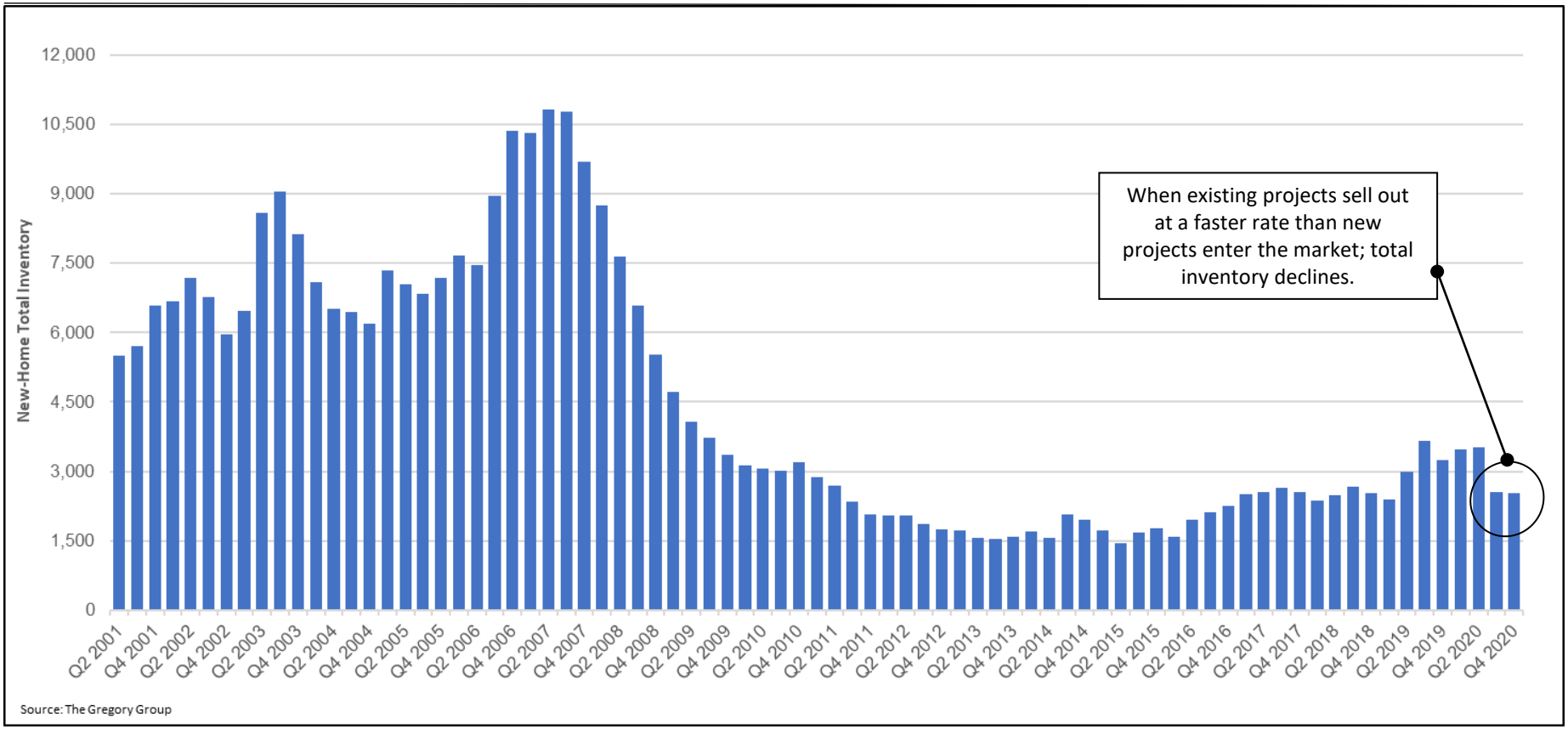
New Housing Market

New Housing Sales and Pricing -- Quarterly



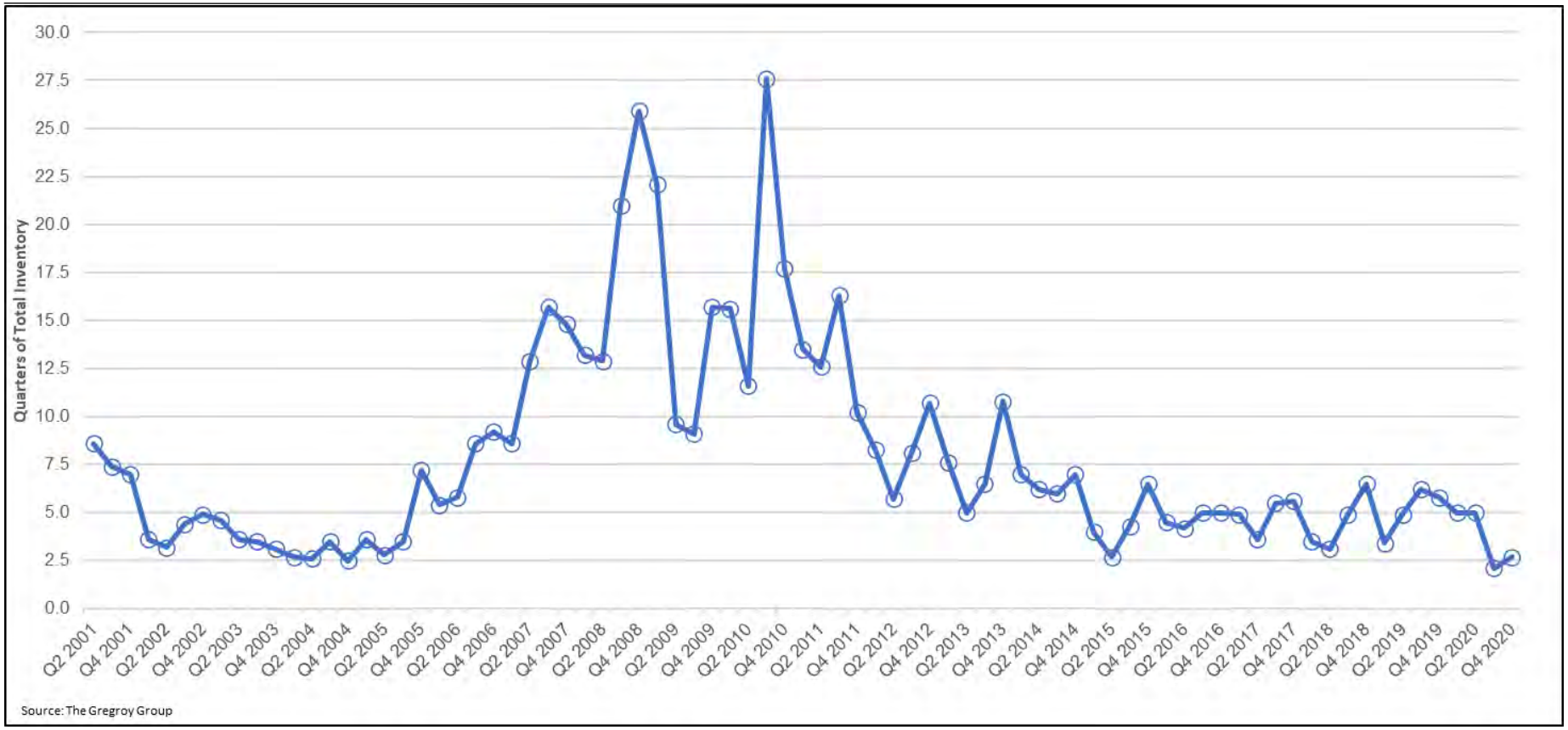
New Housing Market

New Housing Total Inventory -- Quarterly



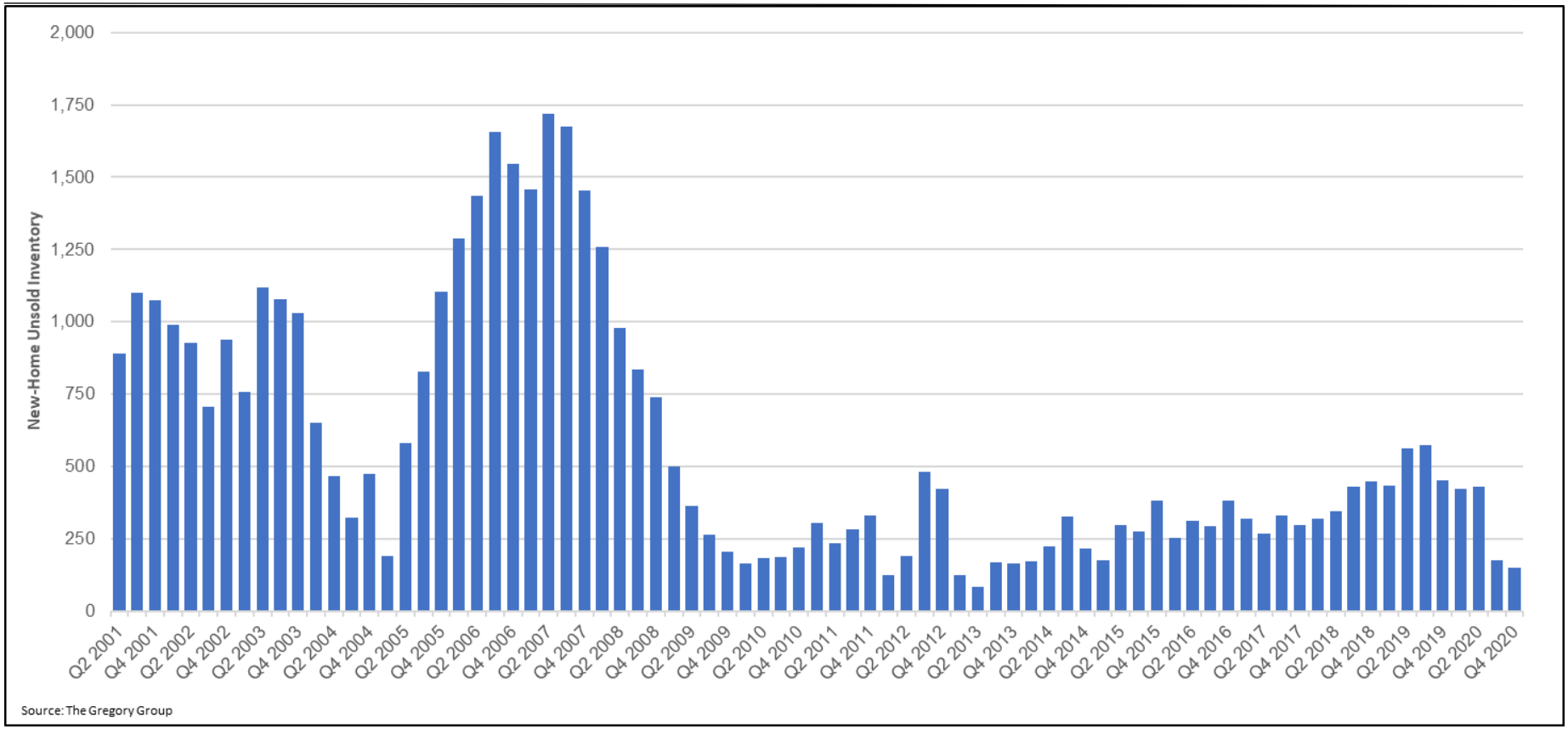
New Housing Market

New Housing Quarters of Total Inventory



New Housing Market

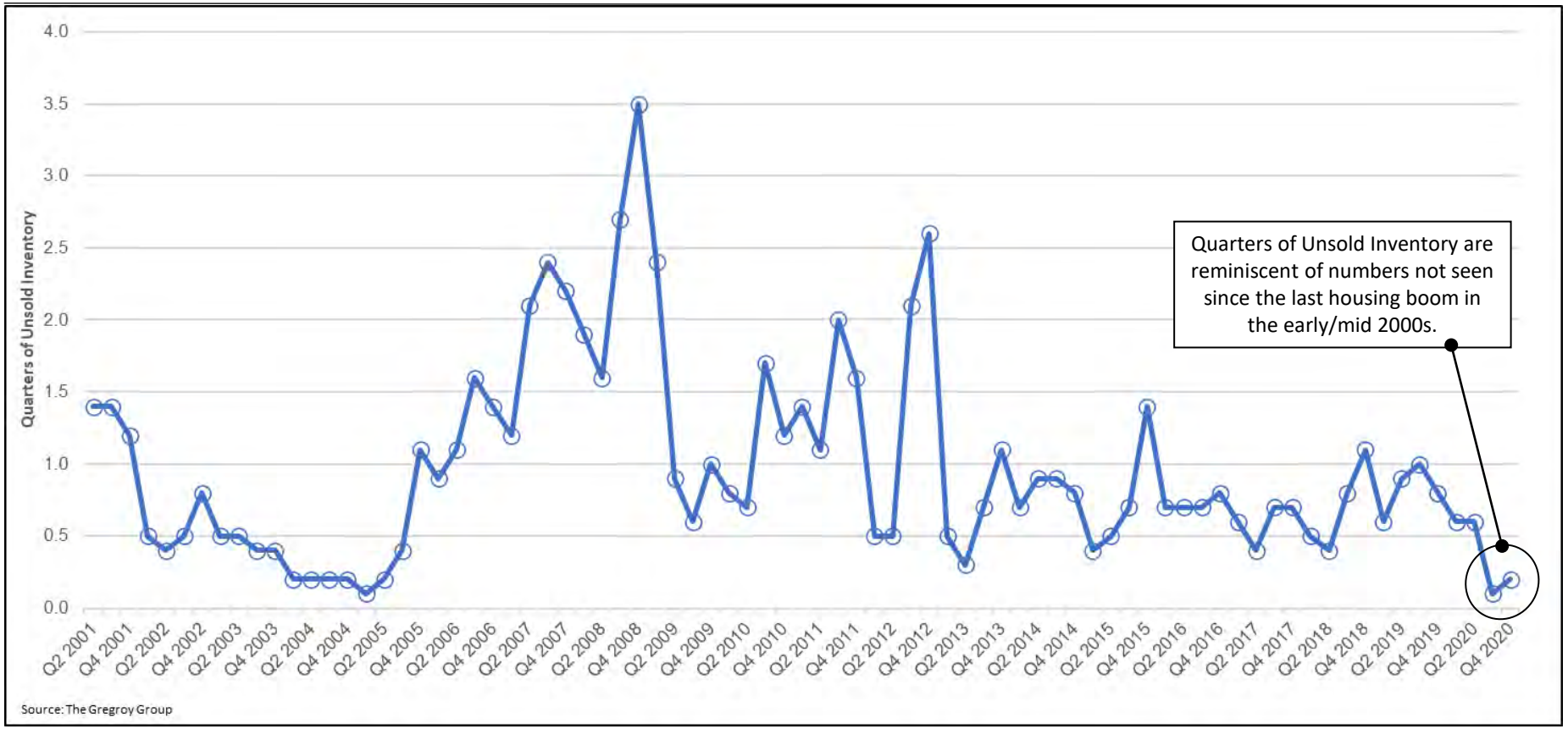
New Housing Unsold Inventory -- Quarterly



Source: The Gregory Group

New Housing Market

New Housing Quarters of Unsold Inventory

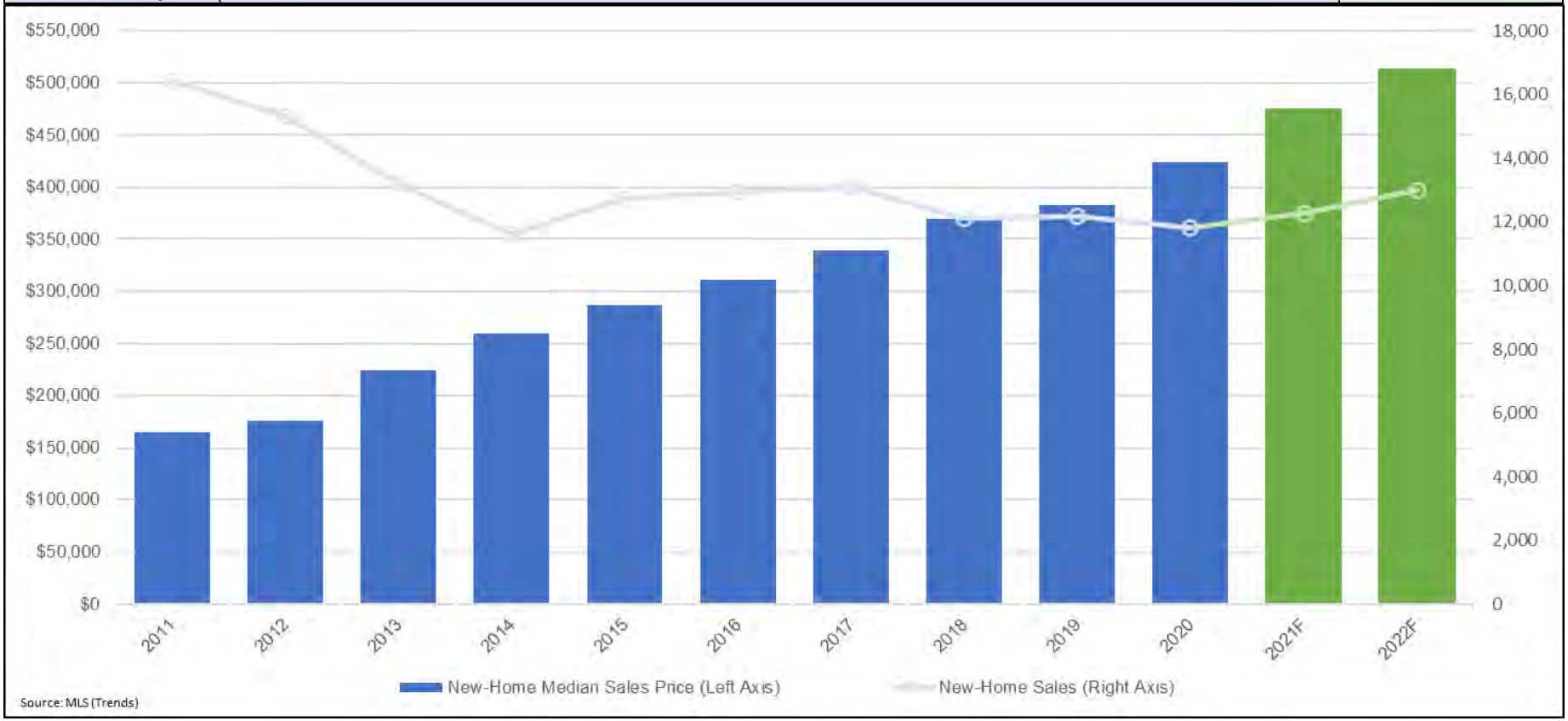


Existing Housing Market

Existing home closings have averaged 13,143 units between 2011 and 2020 in the North Central Valley Region with 2020 posting a slight decrease (3.0%; due to a lack of supply). 2021 should see a resumption in existing home closings with a forecast increase of 4.0% in 2021 and a slightly greater increase of 6.0% in 2022 (supply will continue to be the limiting factor). Due to a lack of supply and an increase in demand, existing home pricing has appreciated significantly, up 156.8% between 2011 to 2020 with 2020 posting an especially robust 10.7% increase. Based on a continued lack of supply in 2021, it is anticipated that pricing will increase 12.0% before moderating slightly in 2022 with increased supply hitting the market (up 8.0%).

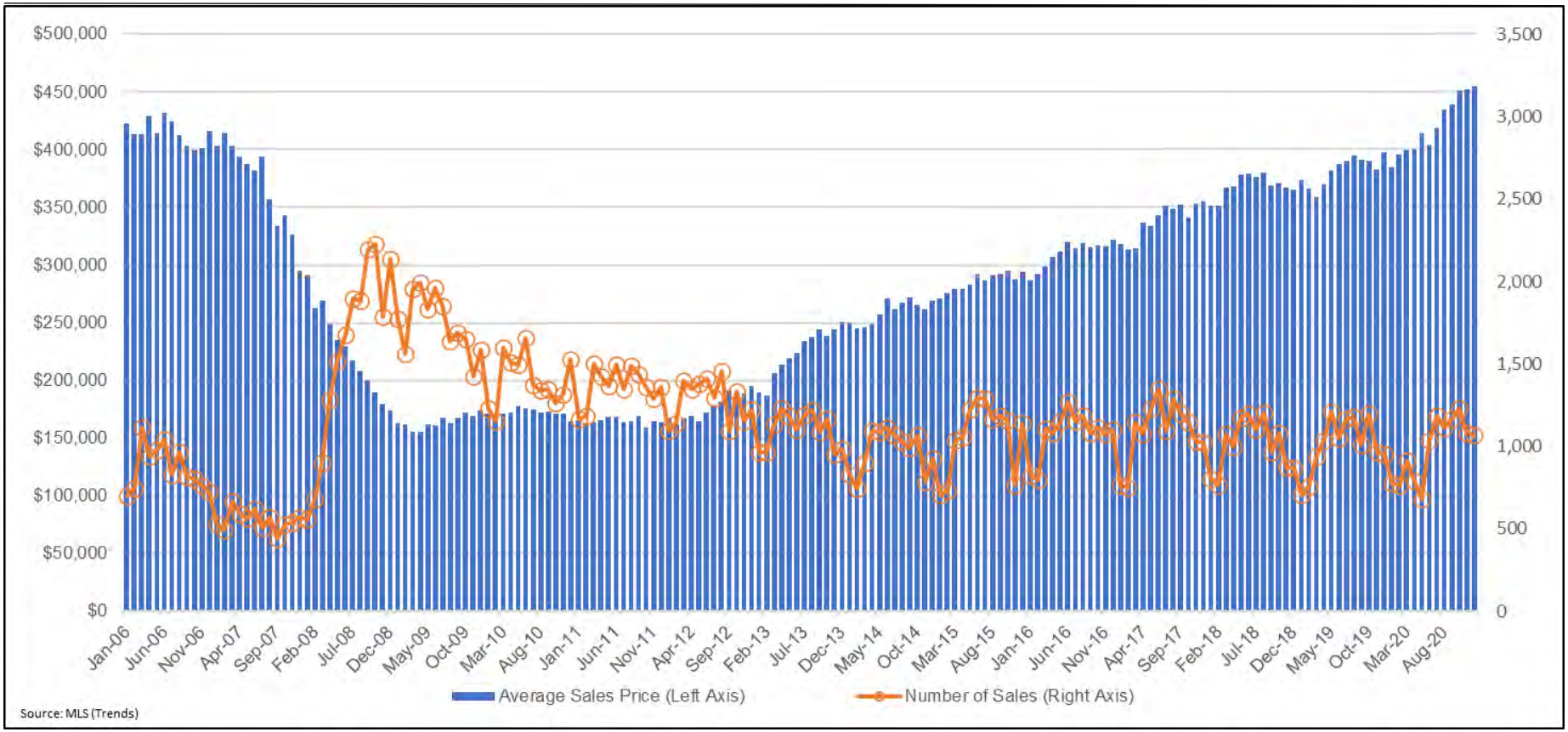
Existing Housing Home Sales	Stockton-Lodi MSA/Modesto MSA -- Ten Year History										Two-Year Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021F	2022F
Existing-Home Sales	16,429	15,323	13,194	11,625	12,751	12,939	13,087	12,101	12,173	11,804	12,276	13,012
Annual Percent Change:	-2.3%	-6.7%	-13.9%	-11.9%	9.7%	1.5%	1.1%	-7.5%	0.6%	-3.0%	4.0%	6.0%

Existing Housing Median Sales Price	Stockton-Lodi MSA/Modesto MSA -- Ten Year History										Two-Year Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021F	2022F
Existing-Home Median Price	$165,134	$176,164	$224,514	$260,109	$286,530	$311,115	$339,583	$369,757	$383,065	$423,987	$474,865	$512,854
Annual Percent Change:	-4.0%	6.7%	27.5%	15.9%	10.2%	8.6%	9.2%	8.9%	3.6%	10.7%	12.0%	8.0%



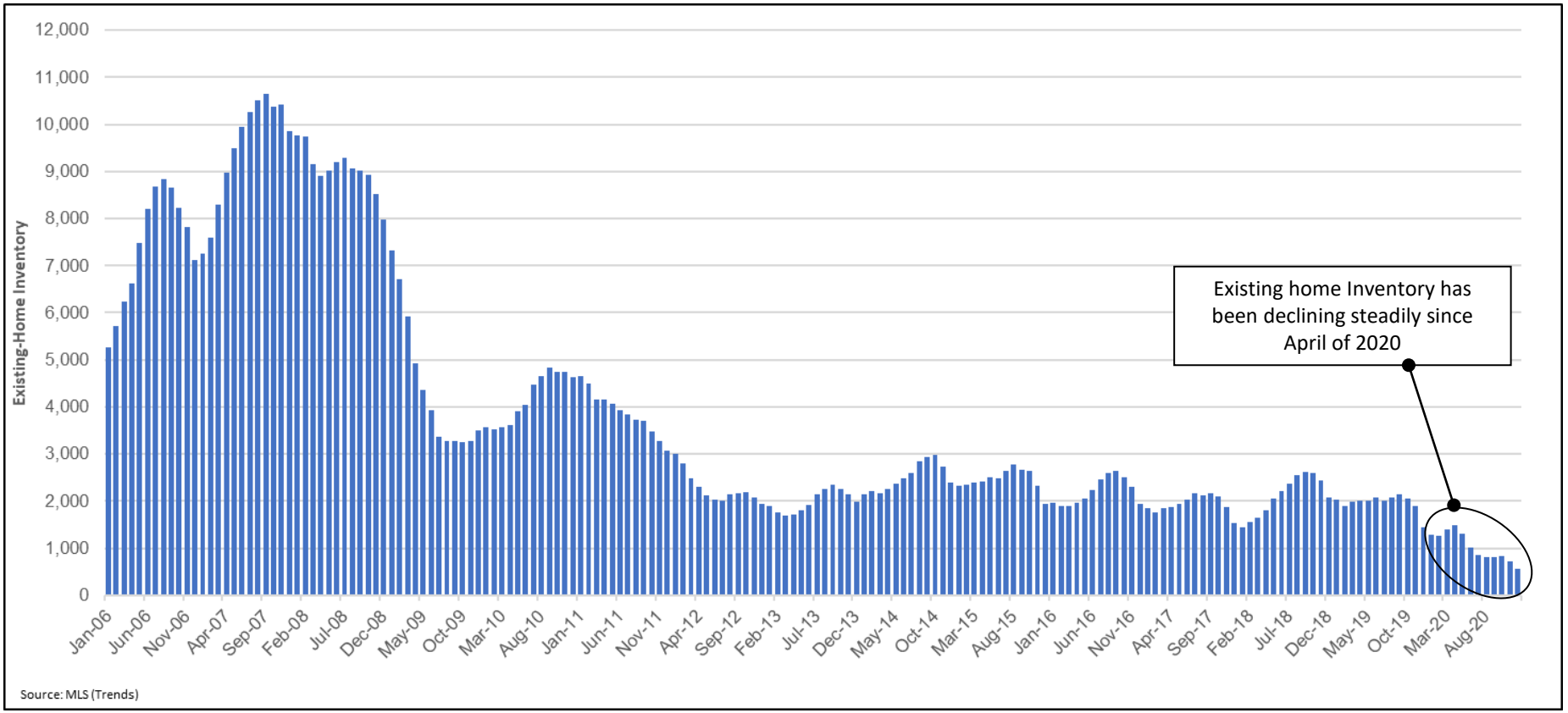
Existing Housing Market

Existing Housing Sales and Pricing -- Monthly



Existing Housing Inventory -- Monthly

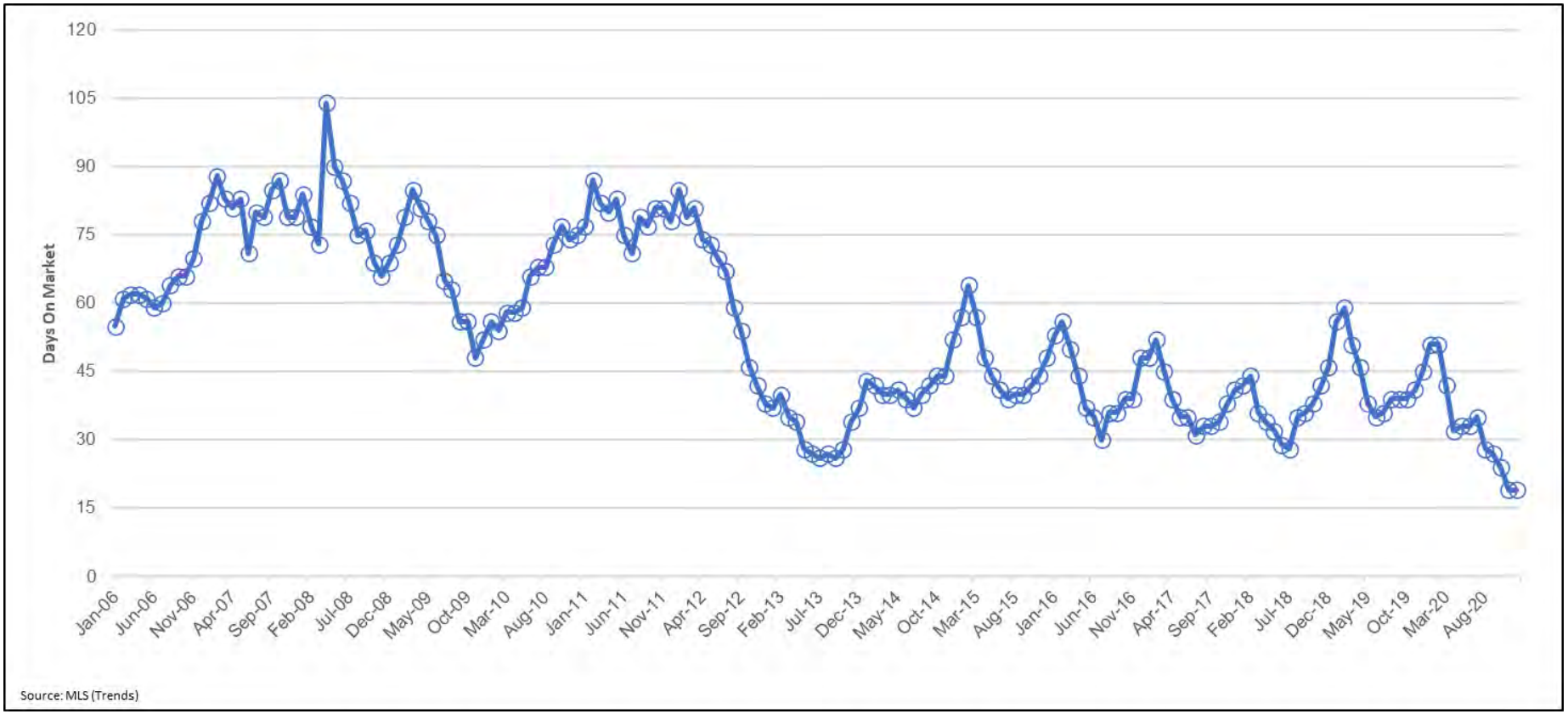
Existing home inventory is decreasing to levels not seen for many years (in fact, not since before 2000 when this survey began). Since the spring of 2020 and the beginning of the COVID-19 pandemic, available existing inventory has steadily been decreasing. Contributing factors include a reluctance by homeowners to open their home to outsiders (i.e., open houses, realtor previews and prospect showings), unclear or unemployed job status, the inability to decide on another home or place to live, and a general unease or uncertainty of the state of the world in 2020 and early 2021. The result, for those potential homebuyers, has been a severe lack of available existing home inventory and a shift in many people toward the purchase of new housing (it has also resulted in increasing existing home pricing).



Existing Housing Market

Existing Housing Days on Market (DOM) -- Monthly

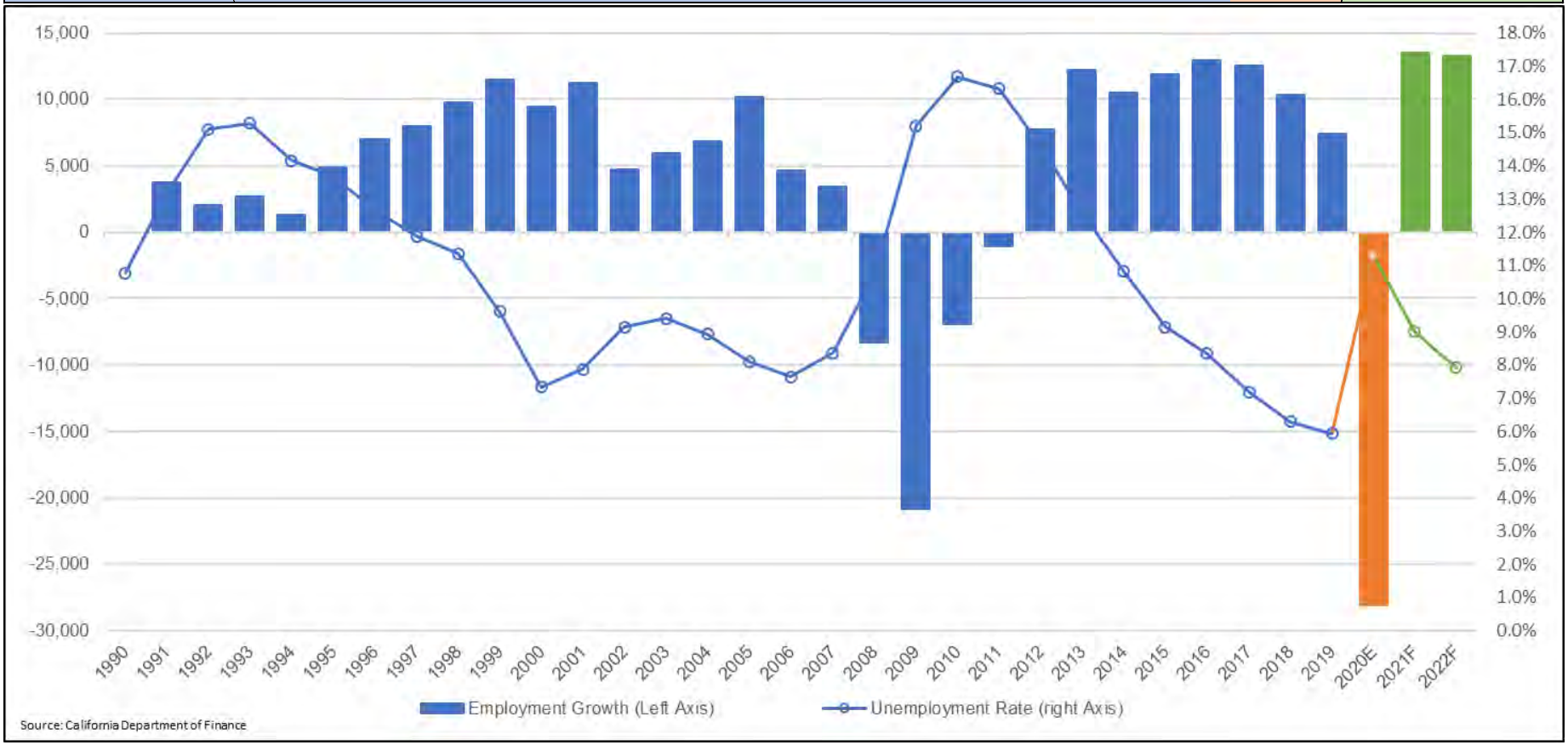
Similar to existing home inventory, the number of Days on Market has declined to historically low levels. In the short-term, it is believed that Days on Market may decrease even further in the coming months as the demand for housing increases in the spring and the supply (for both existing and new housing) remains low.



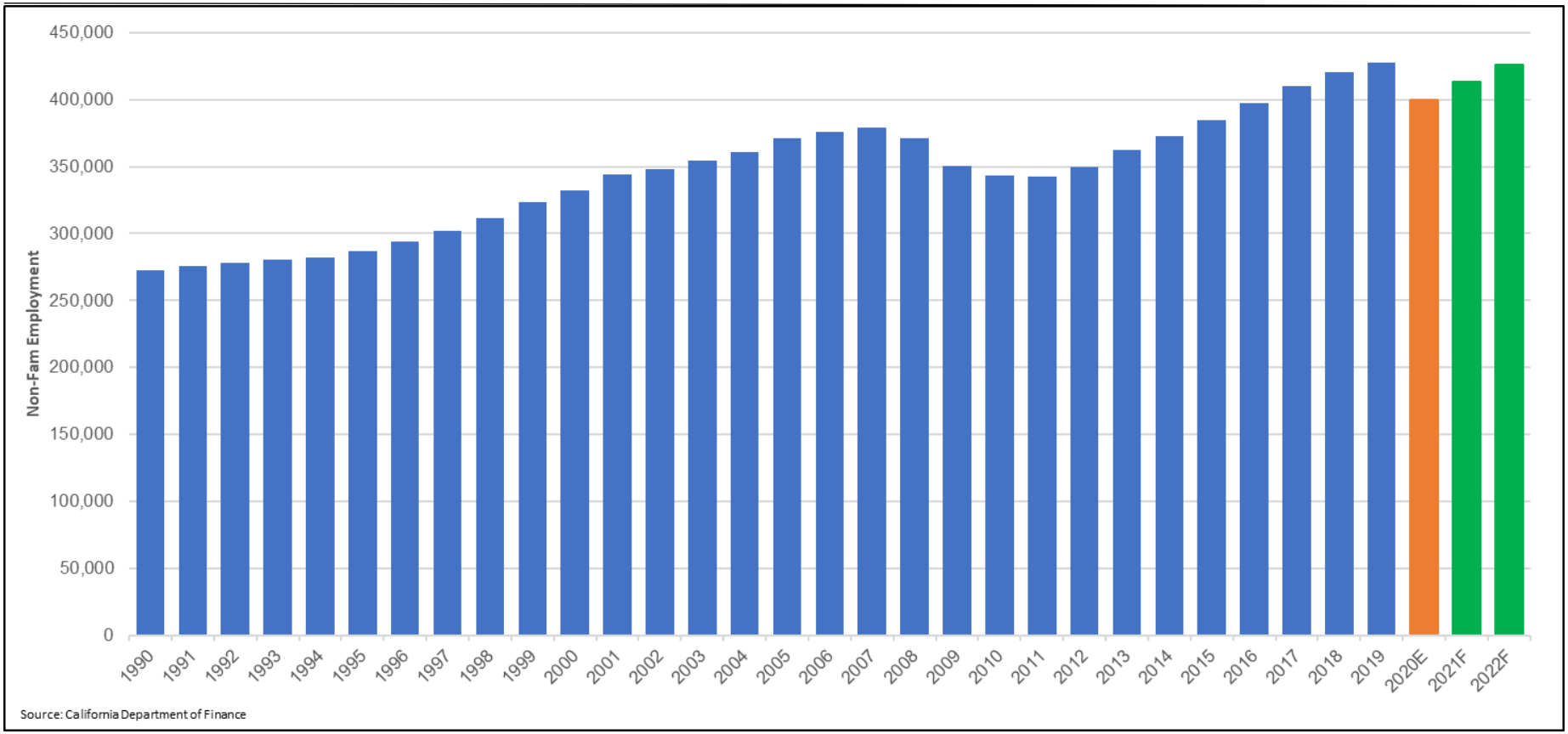
Economics and Demographics

Employment growth in the region has been relatively consistent since 2012, averaging a yearly growth of 10,675 new jobs per year (an average growth rate of 2.8%; between 2012 and 2019). However, due to the current pandemic and the resulting economic damage, it is estimated that 2020 will result in a decline of 28,050 jobs; a change of -6.6%. Given the beginning of a return to more normal economic times in 2021, there is a forecast of 13,500 new jobs in 2021 (an increase of 3.4%) and a strong increase of 13,220 new jobs in 2022 (an increase of 3.2% as the economy begins to leave the COVID-19 era behind). Likewise, the unemployment rate was 5.9% in 2019 and is estimated to be 11.3% in 2020; it may take several years and strong and continuous job growth to reach the pre pandemic unemployment rate (forecast at 9.0% in 2021 and 7.9% in 2022).

Employment History and Forecast	Stockton-Lodi MSA/Modesto MSA -- Ten Year History										Two-Year Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021F	2022F
Non-Farm Employment:	342,300	350,000	362,200	372,700	384,600	397,500	410,000	420,300	427,700	399,650	413,150	426,370
Change From Prior Year:	-1,100	7,700	12,200	10,500	11,900	12,900	12,500	10,300	7,400	-28,050	13,500	13,220
Annual Percent Change:	-0.3%	2.2%	3.5%	2.9%	3.2%	3.4%	3.1%	2.5%	1.8%	-6.6%	3.4%	3.2%
Unemployment Rate	16.3%	14.6%	12.6%	10.8%	9.1%	8.3%	7.2%	6.3%	5.9%	11.3%	9.0%	7.9%



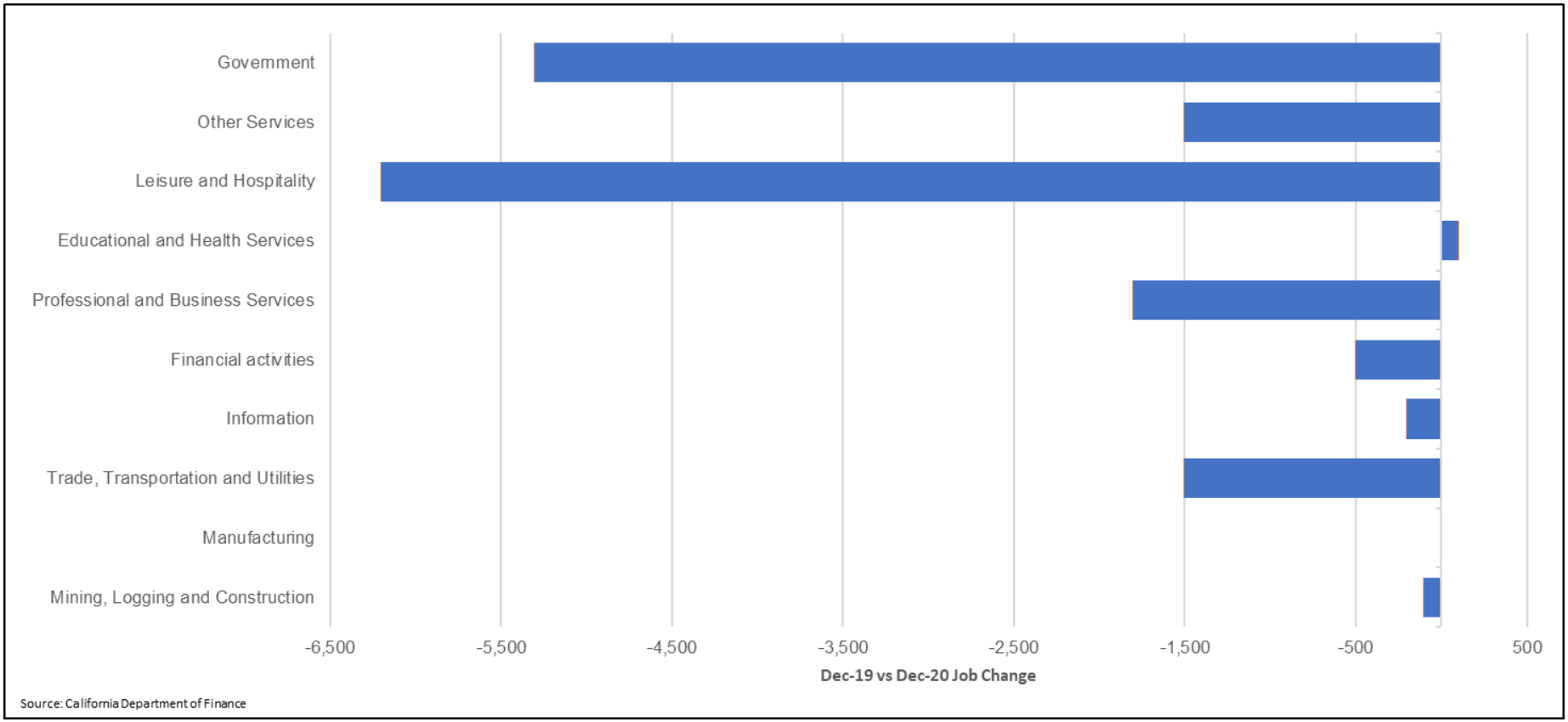
Source: California Department of Finance



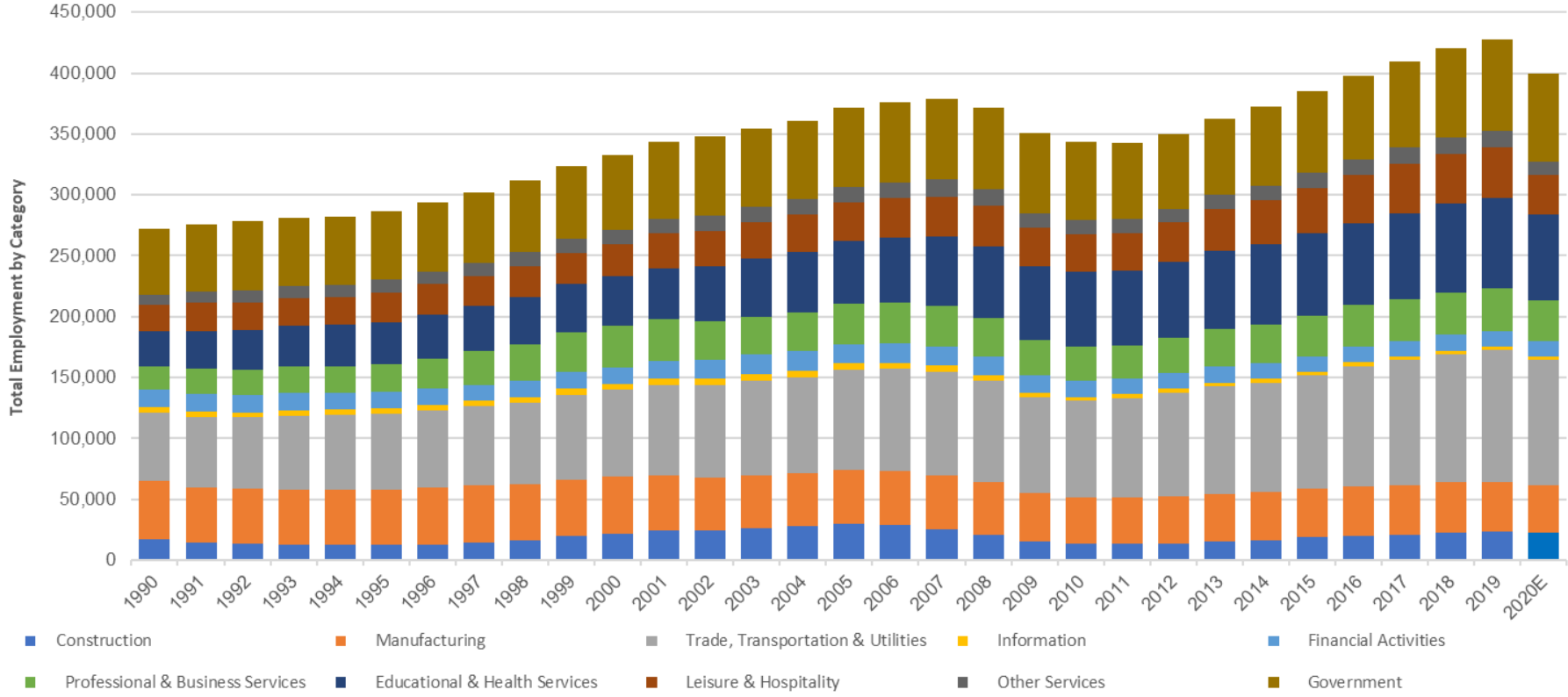
Source: California Department of Finance

In the spring of 2020, job losses were in all major employment sectors, but most significant in Trade, Transportation and Utilities, Educational and Health Services, Leisure and Hospitality and Other Services. However, while these industries are still struggling due to the lingering pandemic, several other sectors have begun to rebound; these include Manufacturing, Information, Financial Activities, and Education and Health Services. It may take years, and in some cases many years, for others (Leisure and Hospitality for example) to reach employment levels seen before the pandemic.

Employment Category	Stockton-Lodi MSA/Modesto MSA			
	Dec-19	Dec-20	Number Change	Percent Change
Mining, Logging and Construction	13,000	12,900	-100	-0.8%
Manufacturing	18,900	18,900	0	0.0%
Trade, Transportation and Utilities	73,600	72,100	-1,500	-2.0%
Information	1,700	1,500	-200	-11.8%
Financial activities	8,100	7,600	-500	-6.2%
Professional and Business Services	20,500	18,700	-1,800	-8.8%
Educational and Health Services	39,000	39,100	100	0.3%
Leisure and Hospitality	22,700	16,500	-6,200	-27.3%
Other Services	7,800	6,300	-1,500	-19.2%
Government	45,400	40,100	-5,300	-11.7%



Source: California Department of Finance



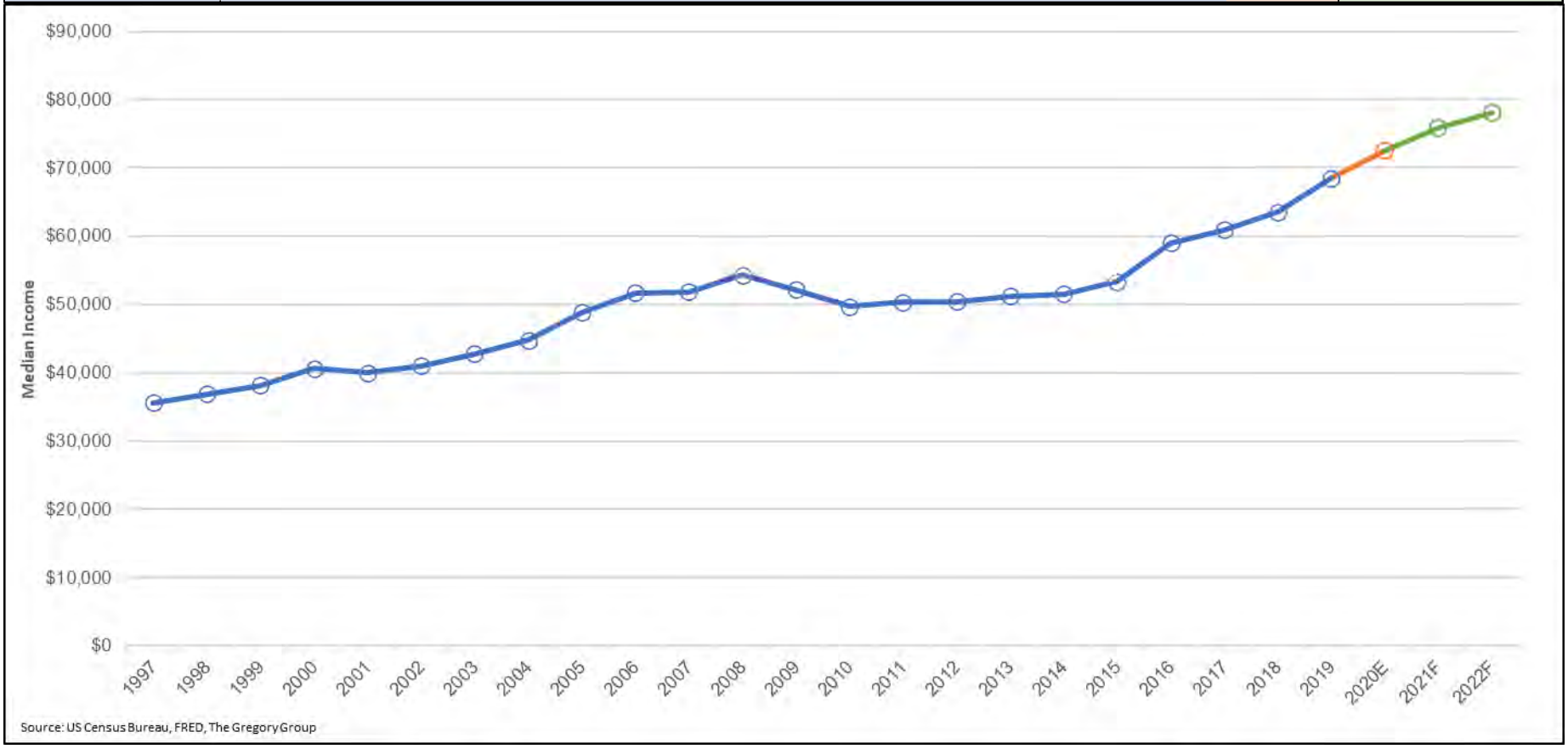
Source: California Department of Finance

Employment by Sector – Annual Table

Employment by Category History and Forecast	Stockton-Lodi MSA/Modesto MSA -- Ten Year History									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E
Construction	13,200	13,900	15,800	16,400	18,600	20,100	21,000	23,000	23,600	22,367
Number Change:	-300	700	1,900	600	2,200	1,500	900	2,000	600	-1,233
Percent Change:	-2.2%	5.3%	13.7%	3.8%	13.4%	8.1%	4.5%	9.5%	2.6%	-5.2%
Percent Distribution:	3.9%	4.0%	4.4%	4.4%	4.8%	5.1%	5.1%	5.5%	5.5%	5.6%
Manufacturing	38,700	38,600	38,900	39,800	40,000	40,700	40,800	41,200	40,900	39,142
Number Change:	300	-100	300	900	200	700	100	400	-300	-1,758
Percent Change:	0.8%	-0.3%	0.8%	2.3%	0.5%	1.8%	0.2%	1.0%	-0.7%	-4.3%
Percent Distribution:	11.3%	11.0%	10.7%	10.7%	10.4%	10.2%	10.0%	9.8%	9.6%	9.8%
Trade, Transportation & Utilities	81,100	85,100	88,300	89,800	93,500	98,600	102,500	105,000	107,800	103,275
Number Change:	2,100	4,000	3,200	1,500	3,700	5,100	3,900	2,500	2,800	-4,525
Percent Change:	2.7%	4.9%	3.8%	1.7%	4.1%	5.5%	4.0%	2.4%	2.7%	-4.2%
Percent Distribution:	23.7%	24.3%	24.4%	24.1%	24.3%	24.8%	25.0%	25.0%	25.2%	25.8%
Information	3,200	3,100	3,000	3,000	2,800	3,000	2,800	2,800	2,700	2,442
Number Change:	-100	-100	-100	0	-200	200	-200	0	-100	-258
Percent Change:	-3.0%	-3.1%	-3.2%	0.0%	-6.7%	7.1%	-6.7%	0.0%	-3.6%	-9.6%
Percent Distribution:	0.9%	0.9%	0.8%	0.8%	0.7%	0.8%	0.7%	0.7%	0.6%	0.6%
Financial Activities	12,900	12,900	13,000	12,800	12,600	12,800	13,100	13,100	13,300	12,883
Number Change:	-300	0	100	-200	-200	200	300	0	200	-417
Percent Change:	-2.3%	0.0%	0.8%	-1.5%	-1.6%	1.6%	2.3%	0.0%	1.5%	-3.1%
Percent Distribution:	3.8%	3.7%	3.6%	3.4%	3.3%	3.2%	3.2%	3.1%	3.1%	3.2%
Professional & Business Services	27,400	29,400	30,800	32,100	33,600	34,200	34,100	35,000	35,200	32,808
Number Change:	-500	2,000	1,400	1,300	1,500	600	-100	900	200	-2,392
Percent Change:	-1.8%	7.3%	4.8%	4.2%	4.7%	1.8%	-0.3%	2.6%	0.6%	-6.8%
Percent Distribution:	8.0%	8.4%	8.5%	8.6%	8.7%	8.6%	8.3%	8.3%	8.2%	8.2%
Educational & Health Services	61,500	62,200	64,400	65,800	67,400	67,600	70,800	72,400	73,700	70,750
Number Change:	200	700	2,200	1,400	1,600	200	3,200	1,600	1,300	-2,950
Percent Change:	0.3%	1.1%	3.5%	2.2%	2.4%	0.3%	4.7%	2.3%	1.8%	-4.0%
Percent Distribution:	18.0%	17.8%	17.8%	17.7%	17.5%	17.0%	17.3%	17.2%	17.2%	17.7%
Leisure & Hospitality	30,800	31,900	34,000	36,000	37,500	39,200	40,700	41,400	41,800	32,300
Number Change:	100	1,100	2,100	2,000	1,500	1,700	1,500	700	400	-9,500
Percent Change:	0.3%	3.6%	6.6%	5.9%	4.2%	4.5%	3.8%	1.7%	1.0%	-22.7%
Percent Distribution:	9.0%	9.1%	9.4%	9.7%	9.7%	9.9%	9.9%	9.9%	9.8%	8.1%
Other Services	11,200	11,400	11,600	12,100	12,500	12,900	13,300	13,400	13,700	11,658
Number Change:	-400	200	200	500	400	400	400	100	300	-2,042
Percent Change:	-3.4%	1.8%	1.8%	4.3%	3.3%	3.2%	3.1%	0.8%	2.2%	-14.9%
Percent Distribution:	3.3%	3.3%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	2.9%
Government	62,200	61,500	62,600	64,700	66,300	68,400	70,700	73,000	75,100	71,925
Number Change:	-2,200	-700	1,100	2,100	1,600	2,100	2,300	2,300	2,100	-3,175
Percent Change:	-3.4%	-1.1%	1.8%	3.4%	2.5%	3.2%	3.4%	3.3%	2.9%	-4.2%
Percent Distribution:	18.2%	17.6%	17.3%	17.4%	17.2%	17.2%	17.3%	17.4%	17.6%	18.0%

Median income has been steadily increasing since the great recession many years earlier and is estimated that median income will continue its increase in 2020 and beyond. This is a bit of an anomaly, but because the economic cost of the pandemic has affected lower wage earners in greater numbers than the more educated, white collar and higher income population, the result has been a fundamental shift in the number of higher income employees still working versus the number of lower income workers that are still unemployment. Thus, an estimated increase of 6.0% for 2020 despite the loss of 28,050 jobs. As the economy continues to heal with a greater number of people re-entering the workforce and the pandemic begins to recede, the pace of income growth is anticipated to moderate to more normal and historical levels (4.5% in 2021 and 3.0% in 2022).

Median Income	Stockton-Lodi MSA -- Ten Year History										Two-Year Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021F	2022F
Median Income	$50,376	$50,431	$51,219	$51,527	$53,341	$59,038	$60,950	$63,567	$68,458	$72,565	$75,830	$78,105
Annual Percent Change:	1.3%	0.1%	1.6%	0.6%	3.5%	10.7%	3.2%	4.3%	7.7%	6.0%	4.5%	3.0%



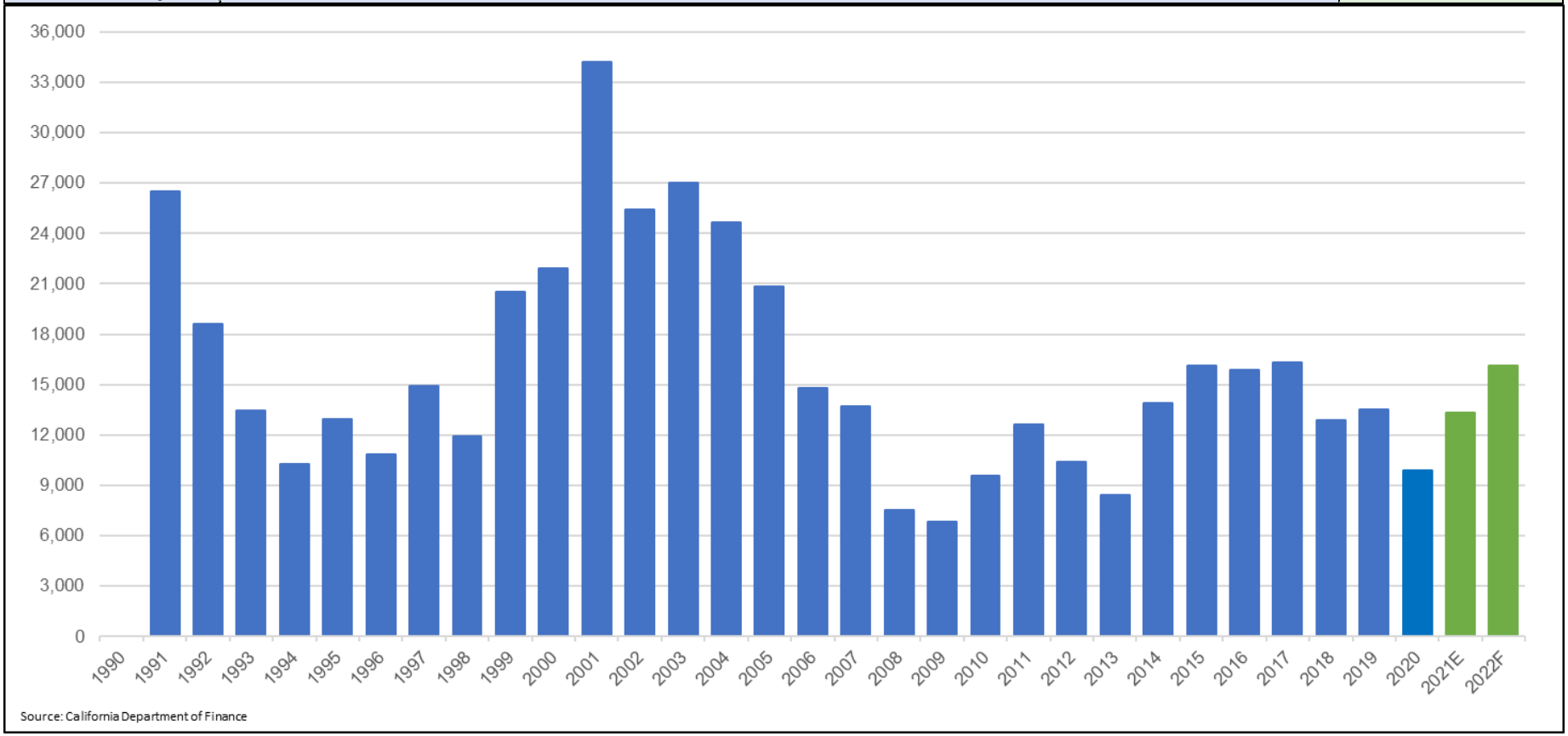
Home Price/Median Income Ratio – New and Existing Housing

An interesting way to look at the housing market is by the price to income ratio. In 2020 for example, the price of a new-home was 7.7 times the median income and the price of an existing home was 5.8 times the median income. These ratios have begun increasing of late as compared to previous years due to more modest income increases compared to more significant home price increases (fueled in part by COVID-19 and in part by lower interest rates). The relationship between the two real estate types (new versus existing) is also heathy, which incentivizes buyers to make more rational decisions—pay more for a new home or less for an older existing home.

Home Price to Median Income Ratio	Stockton-Lodi MSA/Modesto MSA -- Ten Year History										Two-Year Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021F	2022F
Median Income	$50,376	$50,431	$51,219	$51,527	$53,341	$59,038	$60,950	$63,567	$68,458	$72,565	$75,830	$78,105
New-Home Price	$276,543	$310,403	$403,212	$409,256	$422,829	$443,712	$466,034	$496,245	$526,253	$562,166	$629,625	$679,995
Home Price to Income Ratio	5.5	6.2	7.9	7.9	7.9	7.5	7.6	7.8	7.7	7.7	8.3	8.7
Existing-Home Price	$165,134	$176,164	$224,514	$260,109	$286,530	$311,115	$339,583	$369,757	$383,065	$423,987	$474,865	$512,854
Home Price to Income Ratio	3.3	3.5	4.4	5.0	5.4	5.3	5.6	5.8	5.6	5.8	6.3	6.6

The North Central Valley Region population has been on a positive growth protectory (although at a declining rate) during the past several years (despite a slowing in overall population growth throughout the State of California) and while 2020 posted average population growth, it is forecast that 2021 and 2022 will bring a much more robust growth in the population. The COVID-19 pandemic is associated with the continued increase in the North Central Valley Region population with an increase in buyers from the San Francisco Bay Area, the ability to work-from-home from anywhere that home is, and the more livable and affordable communities that the greater North Central Valley Region offers. Greater job growth and more housing options will help to drive even more people to the region.

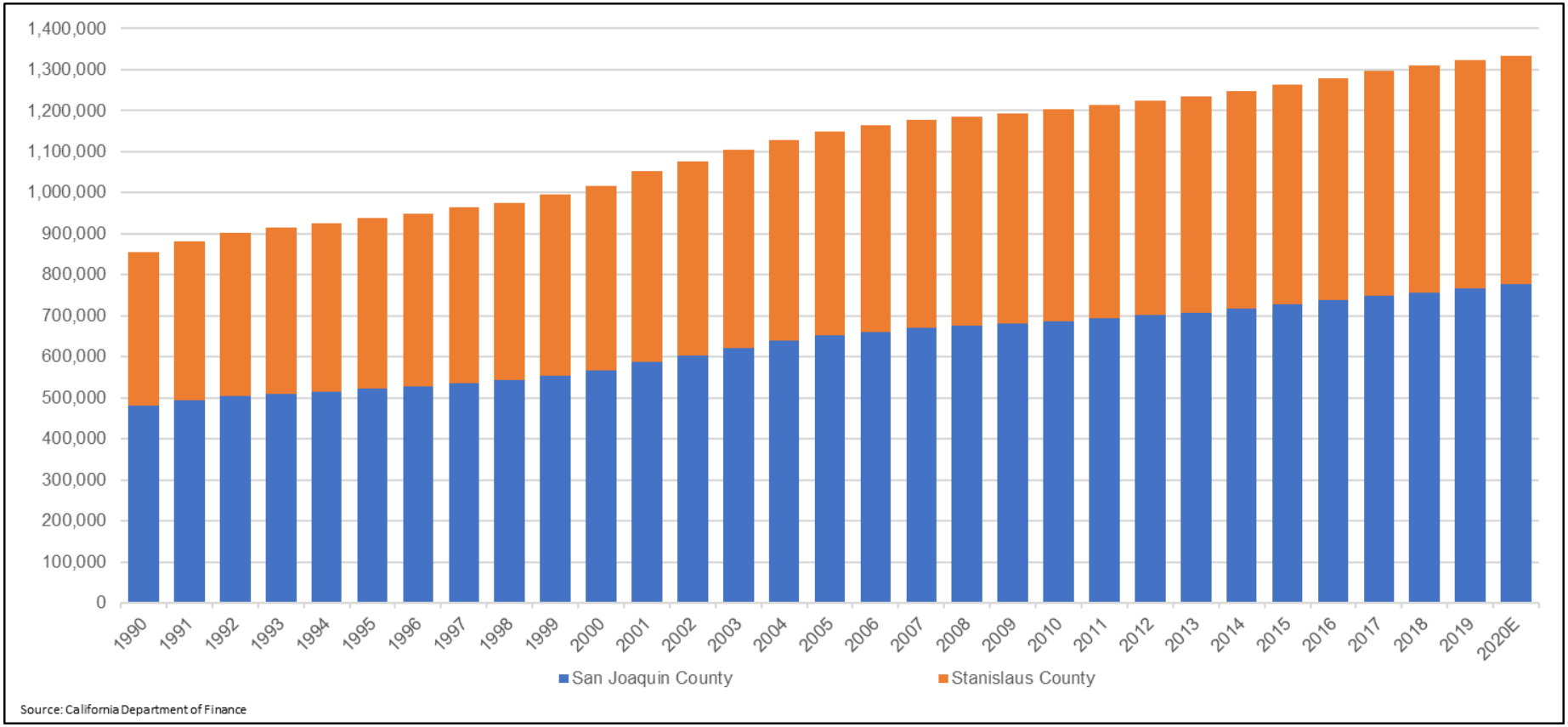
Population History and Forecast	Stockton-Lodi MSA/Modesto MSA -- Ten Year History										Two-Year Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021F	2022F
Population:	1,214,696	1,225,121	1,233,526	1,247,458	1,263,568	1,279,464	1,295,769	1,308,650	1,322,147	1,332,023	1,345,343	1,361,487
Change From Prior Year:	12,624	10,425	8,405	13,932	16,110	15,896	16,305	12,881	13,497	9,876	13,320	16,144
Annual Percent Change:	1.1%	0.9%	0.7%	1.1%	1.3%	1.3%	1.3%	1.0%	1.0%	0.7%	1.0%	1.2%



Source: California Department of Finance

Population Distribution – By County

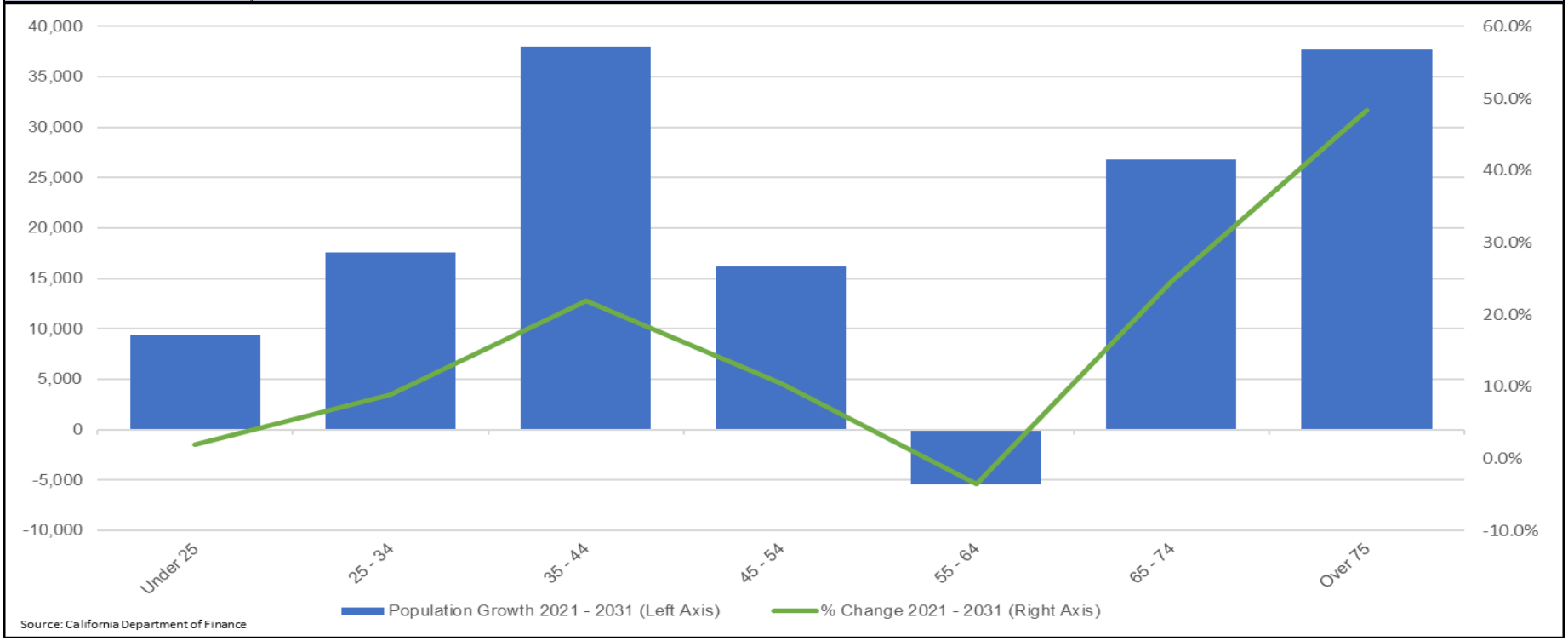
Population History and Forecast	Stockton-Lodi MSA/Modesto MSA -- Ten Year History by County									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
San Joaquin County	695,133	700,882	705,941	716,383	727,038	737,230	747,517	756,749	767,935	776,068
Number Change:	8,372	5,749	5,059	10,442	10,655	10,192	10,287	9,232	11,186	8,133
Percent Change:	1.2%	0.8%	0.7%	1.5%	1.5%	1.4%	1.4%	1.2%	1.5%	1.1%
Percent Distribution:	57.2%	57.2%	57.2%	57.4%	57.5%	57.6%	57.7%	57.8%	58.1%	58.3%
Stanislaus County	519,563	524,239	527,585	531,075	536,530	542,234	548,252	551,901	554,212	555,955
Number Change:	4,252	4,676	3,346	3,490	5,455	5,704	6,018	3,649	2,311	1,743
Percent Change:	0.8%	0.9%	0.6%	0.7%	1.0%	1.1%	1.1%	0.7%	0.4%	0.3%
Percent Distribution:	42.8%	42.8%	42.8%	42.6%	42.5%	42.4%	42.3%	42.2%	41.9%	41.7%



Source: California Department of Finance

A projection of population change by age group forecasts a significant increase in the older age population (65 to 74 years of age and over 75 years of age) as the Baby-Boomers continue to age. Likewise, the number of people in the 55 – 64 age category is forecast to decline during the next ten years. It is also evident that the younger Millennial and Gen-Z populations are continuing to mature with many aging into the prime homebuying age categories (35 – 44 age category). The aging population is often looking to downsize into housing that offers greater flexibility and less maintenance (attached housing and smaller lot detached housing) and the Millennial generation is looking for first-time housing that is often smaller in size (even attached) and more affordable. The offering of these types of new product to the marketplace (first-time and last-time housing) have proved successful in recent years and should continue to attract these buyer segments into the future.

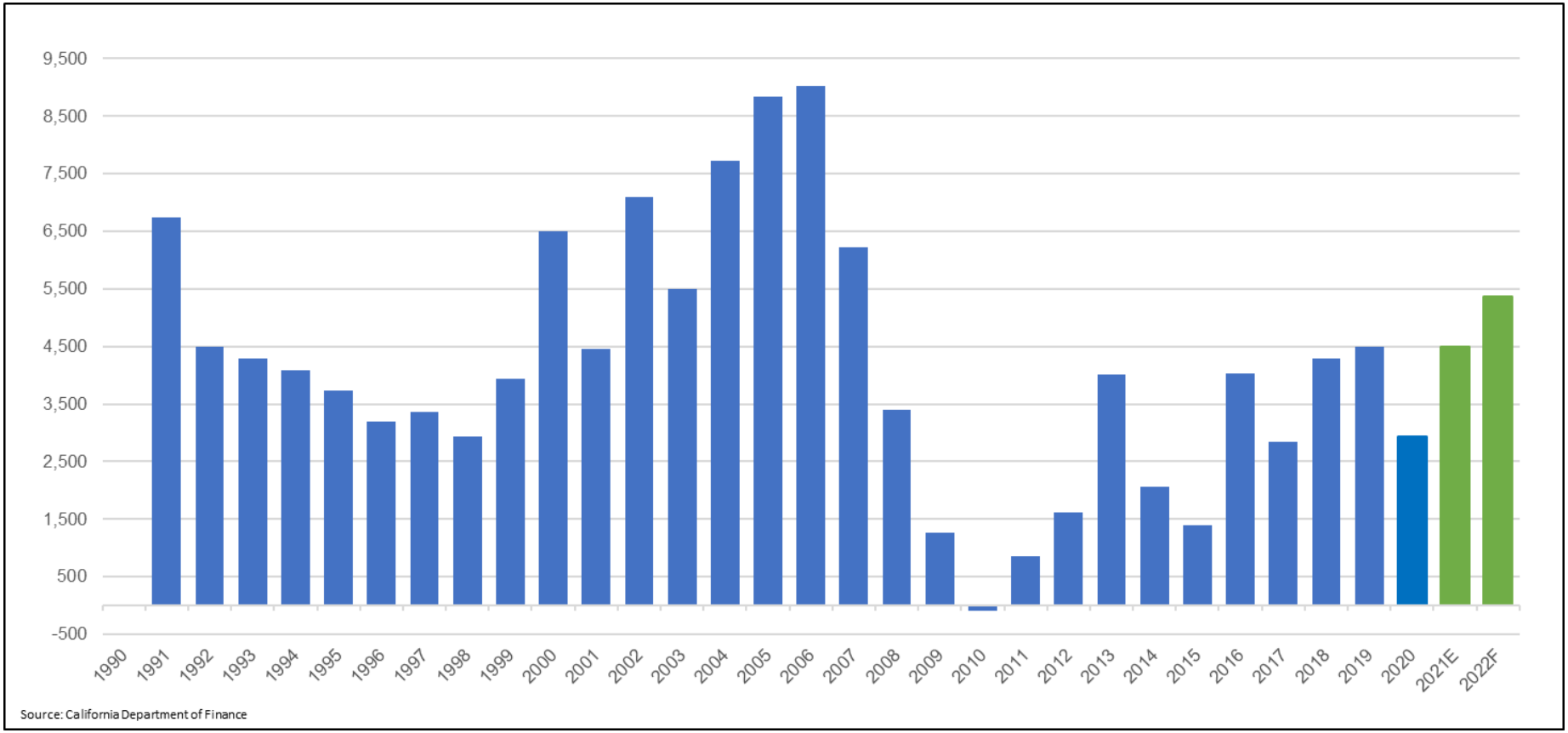
Population Growth by Age Range	Stockton-Lodi MSA/Modesto MSA -- Age Distribution						
	0 - 24 Years	25 - 34 Years	35 - 44 Years	45 - 54 Years	55 - 64 Years	65 - 74 Years	75+ Years
Population (2021):	490,470	198,269	173,236	156,128	154,687	108,748	77,958
Distribution	36.1%	14.6%	12.7%	11.5%	11.4%	8.0%	5.7%
Population (2031):	499,817	215,838	211,220	172,308	149,297	135,552	115,641
Distribution	33.3%	14.4%	14.1%	11.5%	10.0%	9.0%	7.7%
Change From Prior Decade:	9,347	17,569	37,984	16,180	-5,390	26,804	37,683
Decade Percent Change:	1.9%	8.9%	21.9%	10.4%	-3.5%	24.6%	48.3%



Source: California Department of Finance

Much like population growth, household growth has increased steady during the past several years (with a slight dip in 2020 due to Pandemic influences). Affordability and availability play a large part in the increase in households along with access to a robust job market (projected to be positive again in 2021 and 2022) as more people feel comfortable in starting a new household (either by marriage, or moving out of a parent's house, or divorce, etc.).

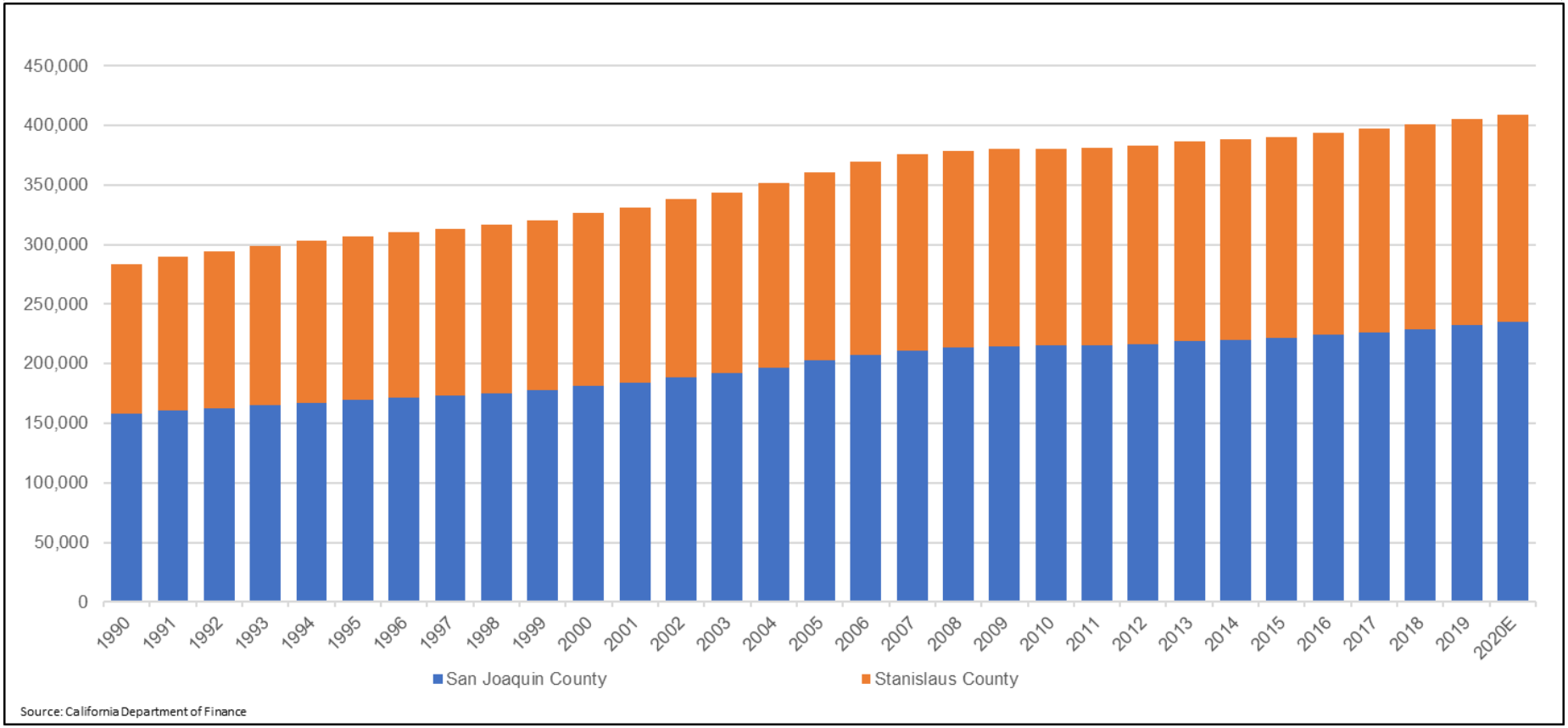
Households History and Forecast	Stockton-Lodi MSA/Modesto MSA -- Ten Year History										Two-Year Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021F	2022F
Households:	381,044	382,657	386,674	388,733	390,126	394,165	397,007	401,291	405,781	408,717	413,213	418,584
Change From Prior Year:	857	1,613	4,017	2,059	1,393	4,039	2,842	4,284	4,490	2,936	4,496	5,371
Annual Percent Change:	0.2%	0.4%	1.0%	0.5%	0.4%	1.0%	0.7%	1.1%	1.1%	0.7%	1.1%	1.3%



Source: California Department of Finance

Household Distribution – By County

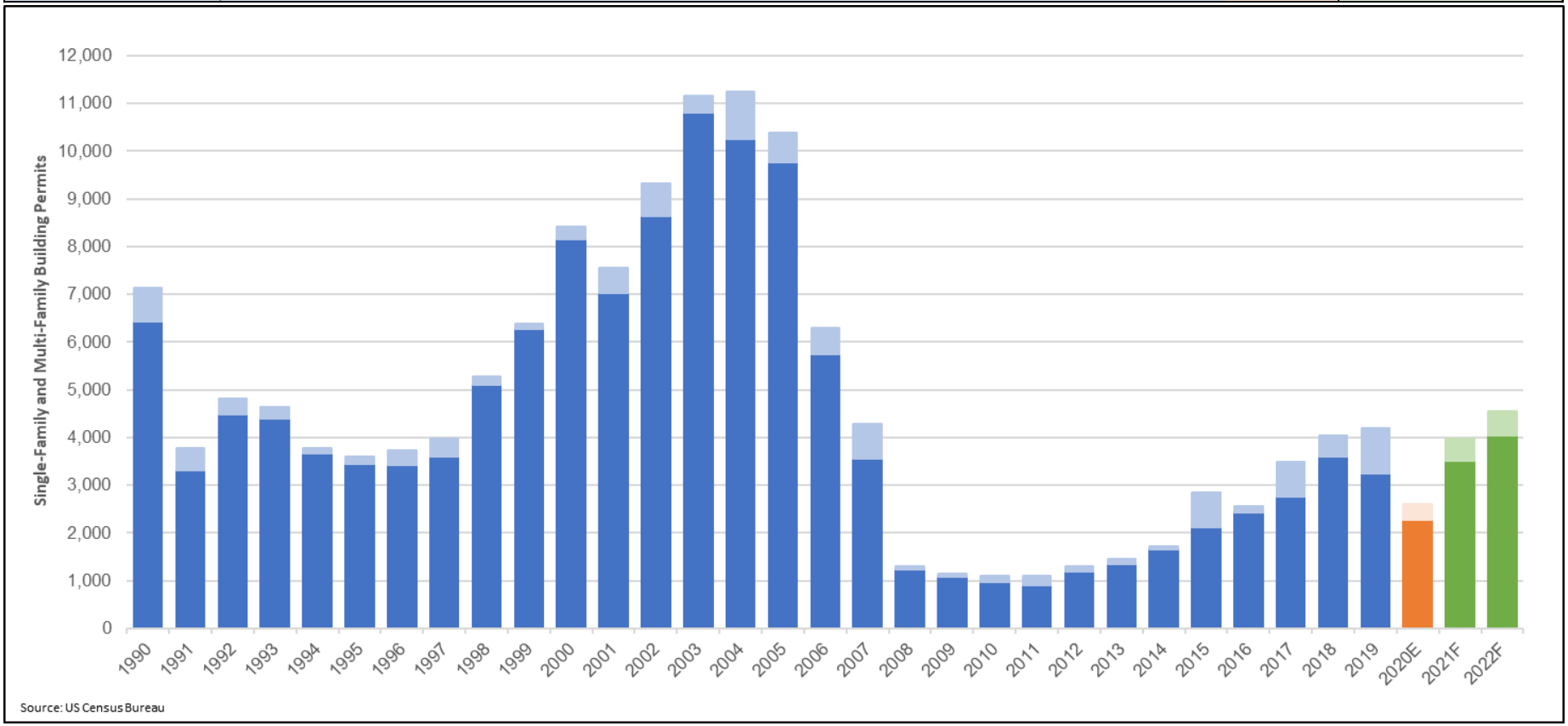
Households History and Forecast	Stockton-Lodi MSA/Modesto MSA -- Ten Year History by County									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
San Joaquin County	215,637	216,719	218,969	220,380	221,410	224,043	225,968	228,908	232,367	234,766
Number Change:	630	1,082	2,250	1,411	1,030	2,633	1,925	2,940	3,459	2,399
Percent Change:	0.3%	0.5%	1.0%	0.6%	0.5%	1.2%	0.9%	1.3%	1.5%	1.0%
Percent Change:	56.6%	56.6%	56.6%	56.7%	56.8%	56.8%	56.9%	57.0%	57.3%	57.4%
Stanislaus County	165,407	165,938	167,705	168,353	168,716	170,122	171,039	172,383	173,414	173,951
Number Change:	227	531	1,767	648	363	1,406	917	1,344	1,031	537
Percent Change:	0.1%	0.3%	1.1%	0.4%	0.2%	0.8%	0.5%	0.8%	0.6%	0.3%
Percent Change:	43.4%	43.4%	43.4%	43.3%	43.2%	43.2%	43.1%	43.0%	42.7%	42.6%



Source: California Department of Finance

Total building permits have averaged 3,292 units per year between 2015 and 2020; however, total permits decreased substantially in 2020 (decreasing 38.0%--due to a lack of supply). It is estimated that total permits will increase 52.6% in 2021 and permits are forecast to increase an additional 14.4% in 2022. As the demand for housing has increased during the COVID-19 pandemic and the supply of existing homes has decreased, land developers and homebuilders are responding by bringing a greater number of projects to the market (although the absolute number of projects continues to decline as sales are outpacing the increase in supply).

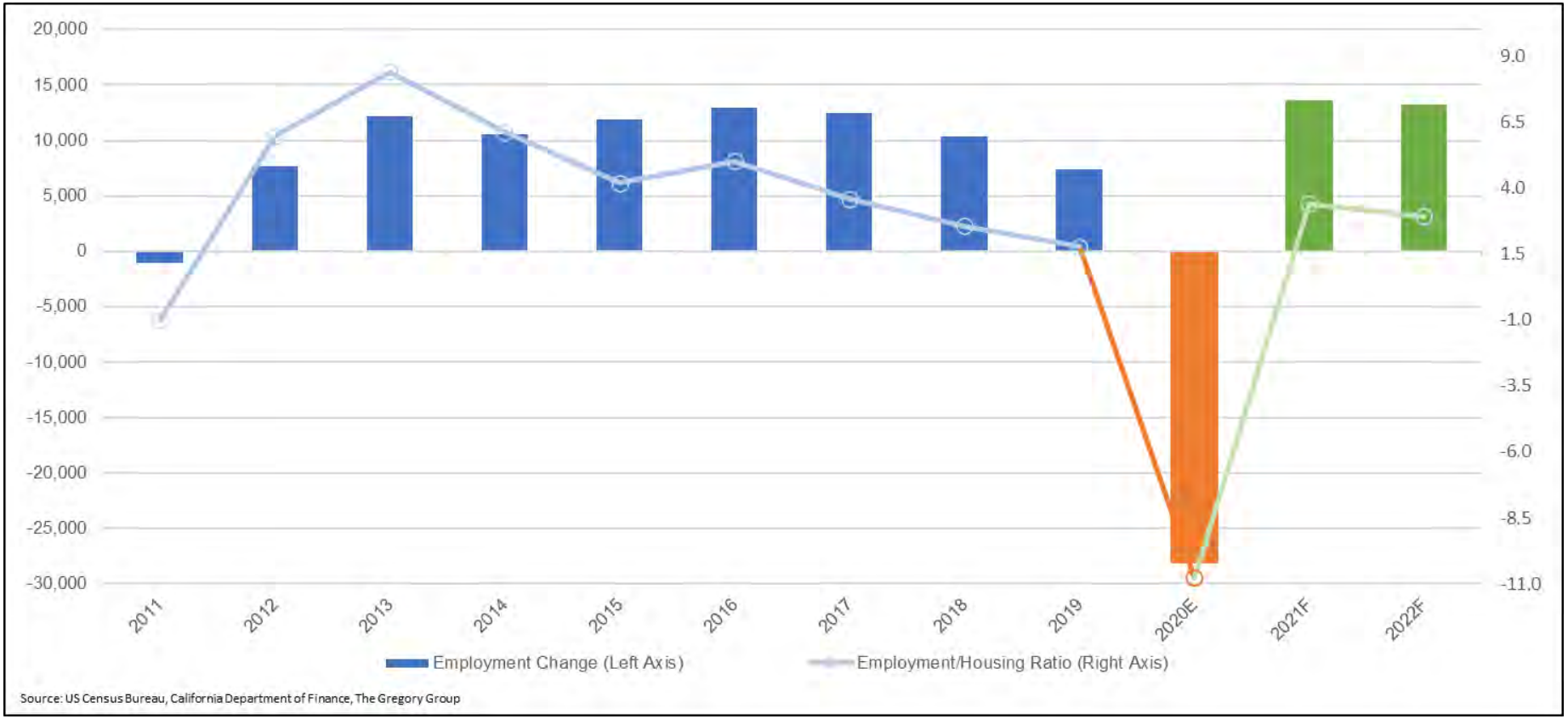
Building Permits	Stockton-Lodi MSA/Modesto MSA -- Ten Year History										Two-Year Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021F	2022F
Single-Family Permits	894	1,189	1,342	1,649	2,121	2,435	2,751	3,604	3,239	2,263	3,514	4,041
Annual Percent Change:	-6.9%	33.0%	12.9%	22.9%	28.6%	14.8%	13.0%	31.0%	-10.1%	-30.1%	55.3%	15.0%
Multi-Family Permits	203	102	111	70	723	136	747	435	959	340	459	504
Annual Percent Change:	40.0%	-49.8%	8.8%	-36.9%	932.9%	-81.2%	449.3%	-41.8%	120.5%	-64.5%	35.0%	9.8%
Total Permits	1,097	1,291	1,453	1,719	2,844	2,571	3,498	4,039	4,198	2,603	3,973	4,545
Annual Percent Change:	-0.7%	17.7%	12.5%	18.3%	65.4%	-9.6%	36.1%	15.5%	3.9%	-38.0%	52.6%	14.4%



Source: US Census Bureau

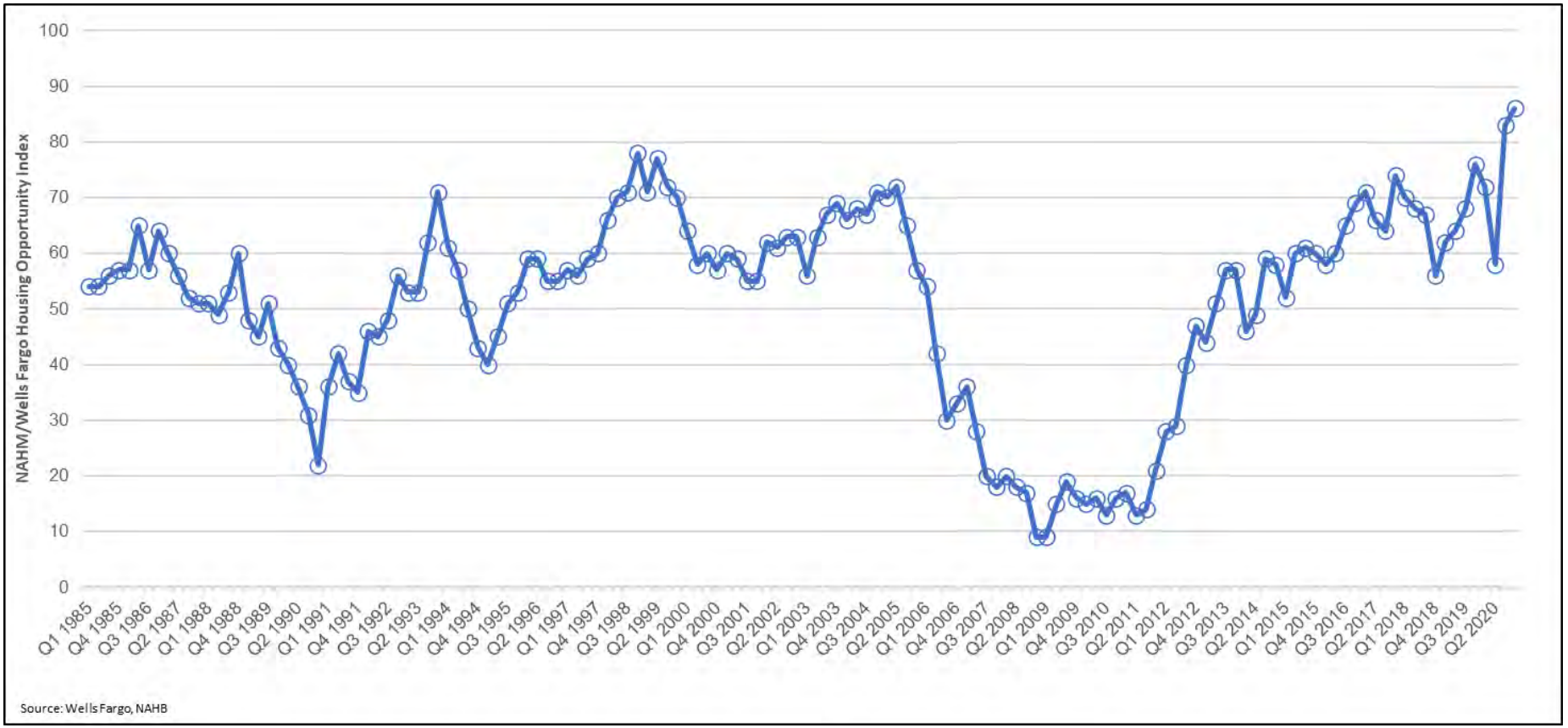
As anticipated given the massive layoffs associated with COVID-19 and the pandemic, the jobs to housing ratio is estimated to be significantly negative in 2020 at -10.8. However, the longer-term trend of job growth to housing is forecast to be very positive moving forward. A ratio of greater than 1.0 generally represents a greater demand for housing units based on the higher job growth numbers and 2021 and 2022 are both forecasted to be significantly greater than 1.0 (3.4 and 2.9 respectively). As more people become vaccinated in 2021 and the economy begins to heal with positive growth, there is anticipated to be a greater number of jobs then housing units in the region. This will result in a significant (continuation of) demand for new housing units and potentially provide for a more stable and fundamentally sound housing market (a housing market that is not based on COVID-19 related issues such as work-from-home, etc. and more on traditional economic foundations such as job and household growth).

Employment to Building Permit Ratio	Stockton-Lodi MSA/Modesto MSA -- Ten Year History										Two-Year Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021F	2022F
Employment Change	-1,100	7,700	12,200	10,500	11,900	12,900	12,500	10,300	7,400	-28,050	13,500	13,220
Total Building Permits	1,097	1,291	1,453	1,719	2,844	2,571	3,498	4,039	4,198	2,603	3,973	4,545
Employment/Housing Ratio	-1.0	6.0	8.4	6.1	4.2	5.0	3.6	2.6	1.8	-10.8	3.4	2.9



Source: US Census Bureau, California Department of Finance, The Gregory Group

Builder confidence is at an all-time high (since the survey was started in 1985). While optimism during a pandemic may be fleeting, it is interesting to note that many builders are stating that the current sales activity is the best that they have experienced, even more substantial than the boom of the mid 2000s.



Conventional 30-Year Fixed Rate Mortgage Rates

Freddie Mac first began monitoring mortgage rates in 1971; since that time, the lowest recorded 30-year fixed rate mortgage rate is the current 2.68% at the end of the Fourth Quarter of 2020. More interesting is the downward trend in rates from 1981 to the current period; a trend that is not anticipated to change anytime soon given recent public statements by the Federal Reserve.

Notes

The Stockton-Lodi MSA includes San Joaquin County, and the Modesto MSA includes Stanislaus County.

The North Central Valley Region includes the two counties of San Joaquin and Stanislaus.

All estimates, forecasts and projections are provided by The Gregory Group

Sources include US Bureau of Economic Analysis, US Bureau of Labor Statistics, US Bureau of Census, Thomson Reuters/University of Michigan, Board of Governors of the Federal Reserve, NAHB/Wells Fargo Bank, National Association of Realtors, Zillow Real Estate Research, California Association of Realtors, Federal Reserve Bank of St. Louis, California Department of Finance, Google Maps, City of Stockton, San Joaquin County, Stanislaus County, American FactFinder, MLS (Trends), The Gregory Group

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THE Gregory Group

Real Estate Information and Consulting Services

Folsom
101 Parkshore Drive, Suite 100
Folsom, CA 95630
(916) 983-3524
info@thegregorygroup.com
www.thegregorygroup.com

Aliso Viejo
120 Vantis, Suite 300
Aliso Viejo, CA 92656
(949) 382-6414
info@thegregorygroup.com
www.thegregorygroup.com

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APPENDIX D

SAN JOAQUIN COUNTY AND CITY OF STOCKTON
DEMOGRAPHIC INFORMATION

*Improvement Area 1 of the District is located in the City of Stockton (the "**City**"), which is located in the center of San Joaquin County (the "**County**"), California (the "**State**"). Certain financial and economic data for the City, County and State are presented in this appendix for information purposes only. The Bonds are not a debt or obligation of the City, County or State, but are a limited obligation of the City secured solely by the Net Taxes generated in Improvement Area 1 and certain other funds held pursuant to the Fiscal Agent Agreement, all as described in more detail in this Official Statement.*

General

The City is situated amidst the farmland of California's San Joaquin Valley, a subregion of the Central Valley, whose boundaries encompass 64.8 square miles of waterways, which make up the California Delta. The City is located 78 miles east of the San Francisco Bay area, 345 miles north of Los Angeles and 45 miles south of Sacramento. The Stockton Metropolitan Statistical Area, which encompasses the entire County, covers approximately 1,400 square miles.

The City was founded by Captain Charles Maria Weber in 1849 after he acquired Rancho de los Franceses and is named after Robert F. Stockton and was the first community in State to not have a name of Spanish or Native American origin. The City is located on the San Joaquin River in northern San Joaquin Valley. With 318,522 people, Stockton is the 13th largest city in California and the 63rd largest city in the United States. According to the United States Census Bureau, the City occupies a total area of 64.8 square miles, of which 61.7 square miles is land and 3.1 square miles (4.76%) is water. The City is a municipal corporation and a charter city, duly organized and existing under the constitution and laws of the State.

Stockton is the largest inland seaport in California. Since the California Gold Rush, it has served as a gateway to the Central Valley. It provided easy access for trade and transportation to the southern gold mines. It has been the location of the oldest chartered university in California, University of the Pacific, since 1923. Historically an agricultural community, Stockton's economy has since diversified into other industries, which include telecommunications and manufacturing. Stockton's central location, relative to both San Francisco, and Sacramento, as well as its proximity to the state and interstate freeway system, together with its comparatively inexpensive land costs, have prompted several companies to base their regional operations in the City.

Population

Population figures for the City, the County and the State for the last five years are shown in the following table.

CITY OF STOCKTON, SAN JOAQUIN COUNTY AND THE STATE OF CALIFORNIA
Population Estimates
Calendar Years 2017 through 2021 as of January 1

Calendar Year	City of Stockton	San Joaquin County	State of California
2017	313,255	744,843	39,352,398
2018	315,099	752,958	39,519,535
2019	317,356	764,373	39,605,361
2020	319,188	773,505	39,648,938
2021	320,876	783,534	39,466,855

Source: State Department of Finance estimates.

Major Employers

The following table lists the largest employers within the City.

CITY OF STOCKTON
Principal Employers
Fiscal Year 2019-20

Employer Name	No. of Employees
St. Joseph's Medical Center	4,600
Stockton Unified School District	3,897
Amazon	2,000
City of Stockton	2,099
Kaiser Permanente	1,065
University of the Pacific	1,029
San Joaquin Delta College	1,007
Lincoln Unified School District	857
Dameron Hospital	800
O'Reilly Auto Parts	600

Source: City of Stockton Comprehensive Annual Financial Report 2019-20.

The County's major employers are set forth below in alphabetized order.

COUNTY OF SAN JOAQUIN
Major Employers
(As of May 2021)

Employer Name	Location	Industry
A Sambado & Sons Inc	Linden	Nuts-Edible
Amazon Fulfillment Ctr	Stockton	Mail Order Fulfillment Service
Blue Shield of California	Lodi	Insurance
Dameron Hospital Assn	Stockton	Hospitals
Deuel Vocational Instn Fire	Tracy	City Govt-Correctional Institutions
Foster Care Svc	Stockton	Government Offices-County
Leprino Foods Co	Tracy	Cheese Processors (mfrs)
Lodi Health Home Health Agency	Lodi	Home Health Service
Lodi Memorial Hospital	Lodi	Hospitals
Morada Produce	Stockton	Fruits & Vegetables-Growers & Shippers
NA Chaderjian Youth	Stockton	State Govt-Correctional Institutions
Pacific Coast Producers	Lodi	Canning (mfrs)
Prima Frutta Packing Inc	Linden	Fruit & Produce Packers
Safeway Distribution Ctr	Tracy	Distribution Centers (whls)
San Joaquin County CA Pubc	Stockton	Government Offices-County
San Joaquin County Human Svc	Stockton	Government Offices-County
San Joaquin County Sch	Stockton	School Districts
San Joaquin General Hospital	French Camp	Hospitals
San Joaquin Sheriff's Office	French Camp	Government Offices-County
Sjgov	Stockton	Government Offices-County
St Joseph's Cancer Ctr	Stockton	Cancer Treatment Centers
St Joseph's Regional Health	Stockton	Hospitals
Stockton Police Dept	Stockton	Police Departments
Stockton Unified School Dist	Stockton	School Districts
Walmart Supercenter	Stockton	Department Stores

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2021 1st Edition.

Employment and Industry

The Community Facilities District is included in the Stockton Metropolitan Statistical Area ("**MSA**"), which includes all of San Joaquin County. The unemployment rate in San Joaquin County was 9.1 percent in April 2021, down from a revised 9.1 percent in March 2021, and above the year-ago estimate of 17.9 percent. This compares with an unadjusted unemployment rate of 8.1 percent for California and 5.7 percent for the nation during the same period.

Set forth below is data from calendar years 2016 to 2020 reflecting the County's civilian labor force, employment and unemployment. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the Community Facilities District.

STOCKTON-LODI MSA
(San Joaquin County)
Annual Average Labor Force and Employment by Industry
Calendar Years 2016 through 2020
(March 2020 Benchmark)

	2016	2017	2018	2019	2020
Civilian Labor Force [1]	318,300	323,200	324,200	326,500	331,800
Employment	292,400	300,400	304,300	306,900	294,500
Unemployment	25,900	22,800	19,900	19,600	37,400
Unemployment Rate	8.2%	7.0%	6.1%	6.0%	11.3%
Wage and Salary Employment: [2]					
Agriculture	16,700	16,400	15,600	15,400	14,300
Mining and Logging	100	100	100	100	100
Construction	11,100	11,700	12,800	13,100	12,900
Manufacturing	19,800	20,300	20,600	20,600	20,500
Wholesale Trade	10,700	11,100	11,700	11,600	10,500
Retail Trade	26,500	26,800	26,700	26,200	24,600
Transportation, Warehousing and Utilities	23,000	26,200	28,400	31,300	38,300
Information	2,000	1,800	1,800	1,600	1,200
Financial Activities	7,500	7,800	7,800	7,900	7,800
Professional and Business Services	19,600	19,200	19,600	20,200	21,100
Educational and Health Services	36,400	38,200	38,800	39,100	37,100
Leisure and Hospitality	20,400	21,500	22,000	22,600	18,400
Other Services	7,500	7,600	7,600	7,800	6,700
Federal Government	3,000	3,100	3,100	3,200	3,300
State Government	6,400	6,600	6,700	6,800	6,800
Local Government	31,400	32,800	33,700	34,900	33,100
Total All Industries [3]	242,000	251,100	256,900	262,400	256,600

(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.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Construction Activity

The tables below summarize building activity in the City and the County from calendar years 2015 through 2019. Annual figures are not yet available for calendar year 2020.

CITY OF STOCKTON
Building Permit Activity
For Calendar Years 2015 through 2019
(Dollars in Thousands)

	2015	2016	2017	2018	2019
Permit Valuation					
New Single-family	$32,955.9	$58,734.6	$65,565.6	$104,468.2	$99,207.4
New Multi-family	29,605.8	14,797.4	13,036.7	0.0	32,175.0
Res. Alterations/Additions	12,860.1	75,506.4	62,938.1	61,592.1,	66,557.3
Total Residential	$75,421.8	$149,038.4	$141,540.40	$166,060.3	$197,939.7
New Commercial	9,334.3	6,368.7	9,109.4	$21,301.7	$20,758.4
New Industrial	15,810.6	1,890.0	140,561.4	68,896.1	104,091.5
New Other	14,231.9	3,068.0	1,823.1	665.0	1,684.1
Com. Alterations/Additions	39,179.7	112,910.9	104,330.1	109,640.5	179,066.8
Total Nonresidential	$102,122.7	$124,237.6	$265,829.6	$200,503.3	$305,600.8
New Dwelling Units					
Single Family	123	215	238	324	302
Multiple Family	257	25	115	0	262
TOTAL	380	240	353	324	564

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF SAN JOAQUIN
Building Permit Activity
For Calendar Years 2015 through 2019
(Dollars in Thousands)

	2015	2016	2017	2018	2019
Permit Valuation					
New Single-family	$455,877.1	$467,494.7	$652,308.1	$883,071.1	$843,700.9
New Multi-family	48,792.9	66,794.5	62,635.8	99,601.5	57,271.1
Res. Alterations/Additions	42,764.8	99,049.9	86,516.1	95,073.4	98,681.9
Total Residential	547,434.80	633,339.1	801,460.0	1,077,746.0	999,653.9
New Commercial	177,272.1	218,485.4	357,856.9	498,359.0	380,383,3
New Industrial	85,322.6	61,687.0	179,728.4	240,073.7	120,003,7
New Other	44,373.1	46,379.4	27,794.7	31,904.4	61,991,7
Com. Alterations/Additions	193,659.3	298,721.9	269,172.8	249,142.4	363,840,8
Total Nonresidential	$500,627.10	$625,273.7	$834,552.8	$1,019,479.5	$926,242.0
New Dwelling Units					
Single Family	1,698	1,754	2,078	2,765	2,564
Multiple Family	387	550	516	30	76
TOTAL	2,085	2,304	2,594	2,795	2,640

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2017 through 2020.

CITY OF STOCKTON, SAN JOAQUIN COUNTY AND THE STATE OF CALIFORNIA
Effective Buying Income
2017 through 2021

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2017	City of Stockton	$5,169	$41,084
	San Joaquin County	14,231	48,149
	California	1,036,143	55,681
	United States	8,132,748	48,043
2018	City of Stockton	$5,300	$42,327
	San Joaquin County	14,793	49,883
	California	1,113,648	59,646
	United States	8,640,770	50,735
2019	City of Stockton	$5,964	$46,022
	San Joaquin County	16,801	55,534
	California	1,183,264	62,637
	United States	9,017,968	52,841
2020	City of Stockton	$6,301,309	$47,701
	San Joaquin County	17,868,858	58,141
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Stockton	$6,408,269	$49,625
	San Joaquin County	18,493,713	59,914
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790

Source: *The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2021.*

Commercial Activity

A summary of historic taxable sales within the City and the County during the past five years in which data is available is shown in the following tables.

The total taxable sales during calendar year 2020 in the City were reported to be $4,729,022,477, a 0.26% decrease in total taxable sales of $4,741,400,361 reported during calendar year 2019.

CITY OF STOCKTON
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	3,943	2,928,312	5,809	3,879,747
2017	3,932	3,173,796	5,812	4,211,728
2018	4,094	3,351,992	6,160	4,494,043
2019	4,262	3,458,758	6,470	4,741,400
2020	4,797	3,498,450	7,411	4,729,022

Source: State of California, Board of Equalization.

The total taxable sales during calendar year 2020 in the County were reported to be $15,609,880,345, an 8.52% increase over the total taxable sales of $14,383,854,291 reported during calendar year 2019.

SAN JOAQUIN COUNTY
Taxable Retail Sales
Number of Permits and Valuation
n of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	9,480	7,380,226	14,682	10,922,271
2017	9,506	7,994,473	14,758	12,153,268
2018	9,660	8,855,169	15,473	13,457,721
2019	9,978	9,058,063	16,144	14,311,068
2020	11,188	10,122,979	18,358	15,609,880

Source: State of California, Board of Equalization.

Transportation

The City. The City is located on Interstate 5, the West Coast's major route from Canada to Mexico. The City's Crosstown Freeway connects Interstate 5 with State Route 99, the State's other principal north-south freeway. Other freeway connections provide convenient access to the San Francisco Bay area and Reno. Thirty-five major transcontinental truck lines and nearly 200 contract carriers serve the City. The City is also served by Greyhound and the San Joaquin Regional Transit District.

The Port of Stockton, the largest inland deep water seaport in the State, is served by numerous international shipping companies through the Stockton Channel to the San Francisco Bay. The modem port facility handles dry and liquid bulk commodities and general cargo.

The Stockton Metropolitan Airport serves the San Joaquin Valley with passenger and air freight facilities, including regularly scheduled commercial passenger service.

Railroad service is provided to the City by Burlington Northern, Santa Fe and the Union Pacific railroads. Daily passenger service by Amtrak is available to San Francisco, Los Angeles and Sacramento.

The County. Major highways in the County include: Interstate 5, Interstate 205, Interstate 580, State Route 99, State Route 4 (Crosstown Freeway/California Delta Highway) and State Route 120. The San Joaquin Regional Transit District provides bus service within the City of Stockton in addition to routes throughout the County and commuter routes to Livermore, Pleasanton, Sacramento and Santa Clara County. Greyhound and Amtrak also provide service. The Stockton Metropolitan Airport serves the San Joaquin Valley with passenger and air freight facilities.

Education

Within the City, there are 4 colleges, Delta College, California State University Stanislaus extension (public), University of the Pacific, and Humphrey's College with a total of approximately 13,250 students. There are 6 high schools, 7 middle schools and 35 elementary schools (17 private).

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

June 10, 2021

City Council
City of Stockton
425 N El Dorado Street
Stockton, California 95202

OPINION: $4,535,000 Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) Special Tax Bonds Series 2021

Members of the City Council:

We have acted as bond counsel to the City of Stockton (the "City") in connection with the issuance by the City of its $4,535,000 Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) Special Tax Bonds Series 2021 (the "Bonds"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, et seq. of the California Government Code (the "Act") and a Fiscal Agent Agreement dated as of September 1, 2020, and Supplemental Agreement No. 1 to Fiscal Agent Agreement, dated as of June 1, 2021 (together, the "Fiscal Agent Agreement") by and between the City and Wells Fargo Bank, National Association, as fiscal agent. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a public body, corporate and politic, with the power to adopt the resolution authorizing the issuance of the Bonds (the "Resolution"), enter into the Fiscal Agent Agreement, and perform the agreements on its part contained therein, and issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

3. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City.

4. Pursuant to the Act, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that such interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKINGS

CONTINUING DISCLOSURE CERTIFICATE
(City)

$4,535,000
IMPROVEMENT AREA 1 OF THE CITY OF STOCKTON
COMMUNITY FACILITIES DISTRICT NO. 2018-2
(WESTLAKE VILLAGES II)
SPECIAL TAX BONDS, SERIES 2021

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate"), dated as of June 10, 2021 is executed and delivered by the CITY OF STOCKTON (the "City"), in connection with the execution and delivery of its Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) Special Tax Bonds Series 2021 (the "Bonds"). The Bonds are being executed and delivered pursuant to a Fiscal Agent Agreement, dated as of September 1, 2020, and Supplemental Agreement No. 1 to Fiscal Agent Agreement, dated as of June 1, 2021 (together, the "Fiscal Agent Agreement"), by and between the City and Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent").

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth above and in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" means, initially, Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation in accordance with Section 8 of this Disclosure Certificate.

"District" means the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II).

"Improvement Area 1" means Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II).

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Official Statement" means the final official statement executed by the City in connection with the issuance of the Bonds.

"Participating Underwriter" means Oppenheimer & Co. Inc., as the original underwriter of the Bonds.

"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.

"Special Taxes" means the special taxes levied on taxable property within Improvement Area 1 that are pledged to repayment of the Bonds.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than February 1 following the end of the City's Fiscal Year (presently June 30), commencing with the report for the 2020-21 Fiscal Year due February 1, 2022, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event. The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format as prescribed by the MSRB, a notice thereof.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine prior to each Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) For each Annual Report, the following additional information:

(i) A debt service schedule for the outstanding Bonds and any Additional Bonds, and a listing of Bonds or Additional Bonds, if any, redeemed prior to maturity during the prior Fiscal Year.

(ii) Balance in the Reserve Fund (and any accounts therein), and statement of the Reserve Requirement for the Bonds. Statement of projected reserve fund draw, if any.

(iii) Balance in other funds and accounts held by the City or Fiscal Agent related to the Bonds.

(iv) For the most recently-completed Fiscal Year, a table indicating the number of parcels levied, the actual levy of Special Taxes, amount collected, delinquent amount and percent of Special Tax levy delinquent.

(v) For the then-current Fiscal Year, a table (presented by property category) indicating the maximum Special Taxes that may levied, the number of parcels levied, the actual amount of Special Taxes levied, and the assessed value of properties in Improvement Area 1, similar to the information set forth in Table 7 to the Official Statement.

(vi) Identification of each delinquent property owner in Improvement Area 1 representing more than 5% of the levy of Special Taxes in Improvement Area 1, and the value-to-lien ratios of the corresponding property, together with the following information respecting each such parcel:

(A) the amount delinquent (exclusive of late charges and monthly penalties for reinstatement) and the assessed value of such parcel;

(B) the date of the first delinquency;

(C) the status of any foreclosure action by the City;

(D) in the event a foreclosure complaint has been filed respecting such delinquent parcel and such complaint has not yet been dismissed, the date on which the complaint was filed in the California Superior Court; and

(E) in the event a foreclosure sale has occurred respecting such delinquent parcel, a summary of the results of such foreclosure sale.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City 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 City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.
(2) Non-payment related defaults, if material.
(3) Unscheduled draws on debt service reserves reflecting financial difficulties.
(4) Unscheduled draws on credit enhancements reflecting financial difficulties.
(5) Substitution of credit or liquidity providers, or their failure to perform.
(6) Adverse tax opinions, 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 security, or other material events affecting the tax status of the security.
(7) Modifications to rights of security holders, if material.
(8) Bond calls, if material, and tender offers.
(9) Defeasances.
(10) Release, substitution, or sale of property securing repayment of the securities, if material.
(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
(13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
(14) Appointment of a successor or additional fiscal agent or the change of name of the fiscal agent, if material.
(15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material (for the definition of financial obligation, see clause (e).
(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City,

any of which reflect financial difficulties (for the definition of financial obligation, see clause (e).

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States 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 City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement 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.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City 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 Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save harmless the Dissemination Agent, its officers, directors, employees and agents (each, an "Indemnified Party"), against any loss, expense and liability 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 reasonable attorneys' fees) of defending against any claim of liability, but excluding losses, liabilities, costs and expenses due to an Indemnified Party's negligence, willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the holders and beneficial owners from time to time of the Bonds or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all reasonable and documented expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications required to be given to the Dissemination Agent, the City or the Participating Underwriter may be given as follows:

To the Dissemination Agent:	Willdan Financial Services 27368 Via Industria, Suite 200 Temecula, California 92590
To the City:	City of Stockton 425 N. El Dorado Street Stockton, California 95202 Attn: Chief Financial Officer
To the Participating Underwriter:	Oppenheimer & Co. Inc. 580 California Street, Suite 2300 San Francisco, California 94104 Attn: Municipal Capital Markets Group

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

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Certificate as of the date first above written.

CITY OF STOCKTON, for and on behalf of Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II)

By: _____
Authorized Officer

Accepted by Dissemination Agent:

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By: _____
Name: _____
Title: _____

FORM OF CONTINUING DISCLOSURE CERTIFICATE
(Developer)

$4,535,000
IMPROVEMENT AREA 1 OF THE CITY OF STOCKTON
COMMUNITY FACILITIES DISTRICT NO. 2018-2
(WESTLAKE VILLAGES II)
SPECIAL TAX BONDS, SERIES 2021

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") dated as of June 10, 2021, is executed by Lennar Homes of California, Inc., a California corporation (the "Developer") in connection with the execution and delivery by the City of Stockton (the "City") of its City of Stockton Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) Special Tax Bonds Series 2021 (the "Bonds"). The Bonds are being executed and delivered pursuant to a Fiscal Agent Agreement, dated as of September 1, 2020, and Supplemental Agreement No. 1 to Fiscal Agent Agreement, dated as of June 1, 2021 (together, the "Fiscal Agent Agreement"), by and between the City and Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent").

The Developer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the holders and beneficial owners of the Bonds.

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

"Affiliate" of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of such other Person, (b) any Person, 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person. For purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

"Assumption Agreement" means an undertaking of a Major Owner, or an Affiliate thereof, for the benefit of the holders and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner's development and financing plans with respect to Improvement Area 1), whereby such Major Owner or Affiliate agrees to provide periodic 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 1 owned by such Major Owner and its Affiliates and, at the option of the Developer or such Major Owner, agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 11 hereof.

"Dissemination Agent" means DTA, or any successor Dissemination Agent designated in writing by the Developer, and which has filed with the Developer, the City and the Fiscal Agent a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.

"District" means the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II).

"Improvement Area 1" means Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II).

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"Major Owner" means, as of any Report Date, an owner of land in Improvement Area 1 that is responsible in the aggregate for 20% or more of the Special Taxes in Improvement Area 1 anticipated to be levied at any time during the then-current fiscal year.

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Official Statement" means the final official statement executed by the City in connection with the issuance of the Bonds.

"Participating Underwriter" means Oppenheimer & Co. Inc., the original Underwriter of the Bonds.

"Periodic Report" means any Periodic Report provided by the Developer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

"Property" means the property owned by the Developer or an Affiliate in Improvement Area 1.

"Report Date" means March 31 and September 30 of each fiscal year.

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

"Special Taxes" means the special taxes levied on taxable property within Improvement Area that are pledged to repayment of the Bonds.

Section 3. Provision of Periodic Reports.

(a) The Developer shall, or, upon written direction of the Developer the Dissemination Agent shall, not later than each Report Date, commencing September 30, 2021,

file or cause to be filed with the MSRB a Periodic Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date, the Developer shall provide the Periodic Report to the Dissemination Agent (if different from the Developer). The Developer shall provide a written certification with (or included as a part of) each Periodic Report furnished to the Dissemination Agent (if different from the Developer), the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the City to the effect that such Periodic Report constitutes the Periodic Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Fiscal Agent, the Participating Underwriter and the City may conclusively rely upon such certification of the Developer and shall have no duty or obligation to review the Periodic Report. The Periodic 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 does not receive a Periodic Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Developer that the Periodic Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Developer to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Developer does not provide, or cause the Dissemination Agent to provide, a Periodic Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice in a timely manner to the MSRB in the form prescribed by the MSRB, with a copy to the Fiscal Agent (if other than the Dissemination Agent), the City and the Participating Underwriter.

(c) With respect to the Periodic Report, the Dissemination Agent shall, to the extent the Periodic Report has been furnished to it, file the Periodic Report with the MSRB and file a report with the Developer (if the Dissemination Agent is other than the Developer), the City and the Participating Underwriter certifying that the Periodic Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to and filed with the MSRB.

Section 4. Content of Periodic Reports. The Developer's Periodic Report shall contain or incorporate by reference the information set forth in Exhibit A relating to the Developer, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Developer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Developer shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit A, the Developer's Periodic 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) The Developer shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Developer and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Developer that is reasonably likely to have a significant impact on the Developer's ability to pay Special Taxes or to sell or develop the Property;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property on or prior to the delinquency date;

(iii) filing of a lawsuit of which the Developer is aware against the Developer or an Affiliate seeking damages, which is reasonably likely to have a significant impact on the Developer's ability to pay Special Taxes or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property; and

(v) any payment default or other material default by the Developer on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Developer shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB, with a copy to the Fiscal Agent, the City and the Participating Underwriter.

Section 6. Duration of Reporting Obligation.

(a) All the Developer's obligations hereunder shall commence on the date hereof and terminate (except as provided in Section 11) 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 Developer and its affiliates, including successor thereto, own parcels in Improvement Area 1 that are subject to less than 20% of the annual Special Tax levy, or

(iii) the date on which the Developer prepays in full all of the Special Taxes attributable to the Property, or

(iv) the date on which (A) the Developer has completed construction of all buildings to be constructed within property it owns in Improvement Area 1 and (B) each such building constructed by the Developer and intended for lease by the Developer has been, since completion of construction, at least 80% occupied at one time or another.

The Developer 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 owned by the Developer, or any Affiliate of the Developer, is conveyed to a Person that, upon such conveyance, will be a Major Owner, the obligations of the Developer hereunder with respect to the property in Improvement Area 1 owned by such Major Owner and its Affiliates may be assumed by such Major Owner or by an Affiliate thereof, and if so assumed the Developer's obligations hereunder with respect to such portion of the Property will be terminated. In order to effect such an assumption, such Major Owner or Affiliate shall enter into an Assumption Agreement in form and substance reasonably satisfactory to the City and the Participating Underwriter. If not so assumed, the Developer shall report the information, as applicable to the transferee, required herein so long as the transferee is a Major Owner.

Section 7. Dissemination Agent. The Developer may, from time to time, appoint or engage a Dissemination Agent to assist the Developer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Developer. The Dissemination Agent may resign by providing 30 days' written notice to the City, the Developer and the Participating Underwriter.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

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

(b) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement, 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 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Periodic Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Periodic Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Periodic Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate, the Fiscal Agent shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter 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 Developer to comply with its

obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole and exclusive remedy under this Disclosure Certificate in the event of any failure of the Developer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents (each, an "Indemnified Party"), 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 loss, liabilities, costs and expenses due to an Indemnified Party's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall be paid compensation for its services provided hereunder in accordance with its 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 Developer, the Fiscal Agent, the Bond owners, or any other party. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notice or communications to the Developer, the City, the Dissemination Agent or the Participating Underwriter under this Disclosure Certificate may be given as follows:

To the Developer: Lennar Homes of California, Inc.
_____
_____
Attn: _____

To the Dissemination Agent: DTA
99 Almaden Boulevard, Suite 875
San Jose, California 95113

To the City: City of Stockton
425 N. El Dorado Street
Stockton, California 95202
Attn: Chief Financial Officer

To the Participating Underwriter: Oppenheimer & Co. Inc.
580 California Street, Suite 2300
San Francisco, California 94104
Attn: Municipal Capital Markets Group

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

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Developer (its successors and assigns), the Fiscal Agent, 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 Developer hereunder shall be assumed by any legal successor to the obligations of the Developer as a result of a sale, merger, consolidation or other reorganization.

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

IN WITNESS WHEREOF, the Developer has executed this Disclosure Certificate as of the date first above written.

DEVELOPER:

LENNAR HOMES OF CALIFORNIA, INC.

By: _____
Name:
Title:

Accepted by Dissemination Agent:

DTA,
as Dissemination Agent

By: _____
Name:
Title:

EXHIBIT A

PERIODIC REPORT

This Periodic Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (the "Disclosure Certificate") dated _____, 2021 executed by the undersigned (the "Developer") in connection with the issuance of the above-captioned bonds by the City of Stockton (the "City") with respect to its Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II).

Capitalized terms used in this Periodic 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 30 days before the date of this Periodic Report).

A. Property currently owned by the Developer in Improvement Area 1 (the "Property"):

Development name: _____

Number of lots (or acreage): _____

B. Status of land development or construction activities:

_____

_____

C. Status of building permits and any significant amendments to land use or development entitlements:

_____

_____

D. Aggregate property sold, optioned or leased by the Developer to end users or merchant builders:

	Since the Date of Issuance of the Bonds		Since the Last Periodic Report	
	Acres*	____	Acres*	____
	Lots	____	Lots	____
	Bldg. Sq. Ft.	____	Bldg. Sq. Ft.	____

* For bulk land sales only (excluding sales of finished lots or completed buildings).

E. Status of any land purchase contracts (other than sales to homeowners) with regard to the Property.

_____

_____

F. Number of Homes in Improvement Area 1 sold by the Developer to date: _____

Number of Homes in Improvement Area 1 under contract for sale as of _____, 20__: _____

II. Legal and Financial Status of Developer

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any change in the legal structure of the Developer or the financial condition and financing plan of the Developer that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

_____

_____

III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Periodic 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 Periodic Report, describe any other significant changes in the information relating to the Developer or the Property contained in the Official Statement under the heading "OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA 1 – [_____]" that would materially and adversely interfere with the Developer's ability to develop and sell the Property as described in the Official Statement.

_____

_____

V. Other Material Information

In addition to any of the information expressly required above, provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

_____

_____

Certification

The undersigned Developer hereby certifies that this Periodic Report constitutes the Periodic Report required to be furnished by the Developer under the Disclosure Certificate.

ANY STATEMENTS REGARDING THE DEVELOPER, THE DEVELOPMENT OF THE PROPERTY, THE DEVELOPER'S FINANCING PLAN OR FINANCIAL CONDITION, OR THE BONDS, OTHER THAN STATEMENTS MADE BY THE DEVELOPER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE DEVELOPER. THE DEVELOPER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE DEVELOPER HAS NO OBLIGATION TO UPDATE THIS PERIODIC REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated:_____

DEVELOPER: _____

By: _____
_____
_____

APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the 2021 Bonds, payment of principal, interest and other payments on the 2021 Bonds (herein, the "Securities") to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Securities (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the "Agent") takes any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC") will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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APPENDIX H

SUMMARY OF CERTAIN PROVISIONS OF FISCAL AGENT AGREEMENT

The following contains a brief summary of certain provisions of the Fiscal Agent Agreement not found in the main body of the Official Statement. Investors are hereby directed to obtain a complete copy of the Fiscal Agent Agreement, which is available from the City or the Fiscal Agent upon request.

Certain Definitions

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 *et seq.* of the California Government Code.

"*Administrative Expenses*" means any or all of the following:

(a) the expenses directly related to the administration of Improvement Area 1, including, but not limited to, the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or a designee thereof or both); the costs of collecting the Special Taxes (whether by San Joaquin County, the City or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs associated with preparing Special Tax disclosure statements and responding to the public inquiries regarding the Special Taxes; the costs of the City, Improvement Area 1 or any designee thereof related to an appeal of the Special Tax;

(b) the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties of the Fiscal Agent pertaining to the Bonds required under this Fiscal Agent Agreement and any Supplemental Agreement;

(c) the costs of the City or any designee thereof of complying with the City, Improvement Area 1, or obligated person disclosure requirements associated with applicable federal or state securities laws of the Act pertaining to the Bonds;

(d) any amounts required to be rebated to the federal government; and

(e) all other costs and expenses of the City (including, but not limited to, an allocable share of the salaries of the City staff directly related to the foregoing, a proportionate amount of City general administrative overhead related to the foregoing, and amounts advanced by the City for any administrative purpose of Improvement Area 1, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure) and the Fiscal Agent incurred in connection with the discharge of their respective duties hereunder and in any way related to the administration of Improvement Area 1 and all actual costs and expenses incurred in connection with the administration of the Bonds.

"Agreement" means the Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement.

"Annual Debt Service" means, for each Bond Year and each Series of Outstanding Bonds, the sum of (i) the interest due on the respective Series of Outstanding Bonds in such Bond Year, assuming that such Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the respective Series of Outstanding Bonds, including any mandatory sinking fund payments, due in such Bond Year.

"Authorized Officer" means the City Manager, Chief Financial Officer, City Clerk, City Attorney, including any deputy, acting or interim officer holding such position, or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

"Bond Counsel" means any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Year" means each twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 1, 2021.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Principal Office of the Fiscal Agent is located are authorized or obligated by law or executive order to be closed.

"CDIAC" means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

"Closing Date" means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate, dated as of the Closing Date, related to the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"District" means the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) formed pursuant to the Resolution of Formation.

"*Fair Market Value*" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction

(as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment).

(i) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

(ii) Any of the following obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank, (ii) certificates of beneficial ownership issued by the Farmers Home Administration, (iii) participation certificates issued by the General Services Administration, (iv) mortgage-backed bonds or passthrough obligations issued and guaranteed by the Government National Mortgage Association, (v) project notes issued by the United States Department of Housing and Urban Development, and (vi) public housing notes and bonds guaranteed by the United States of America.

"Chief Financial Officer " means the duly acting Chief Financial Officer or Treasurer of the City, or if the City has no Chief Financial Officer, such officer of the City serving a similar role.

"Fiscal Agent" means the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers in the Agreement provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Agreement.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Information Services" means "EMMA" or the "Electronic Municipal Market Access" system of the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Maximum Annual Debt Service" means, for each Series of Outstanding Bonds, the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of the respective Series of Outstanding Bonds.

"Officer's Certificate" means a written certificate of the City signed by an Authorized Officer of the City.

"Ordinance" means any ordinance of the City levying the Special Taxes.

"Original Purchaser" means the first purchaser of the Bonds from the City.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Agreement) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Agreement; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Agreement or any Supplemental Agreement.

"Owner" or *"Bondowner"* means any person who shall be the registered owner of any Outstanding Bond.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Prepayment" means moneys received by the City from the prepayment of Special Taxes as provided in the "Rate, Method of Apportionment, and Manner of Collection of Special Tax" applicable to Improvement Area 1.

"Principal Office" means the corporate trust office of the Fiscal Agent set forth in the Agreement, or such other or additional offices as may be designated by the Fiscal Agent.

"Record Date" means the fifteenth (15th) day of the month next preceding the month of the applicable Interest Payment Date whether or not such day is a Business Day.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Resolution of Formation" means Resolution No. 2018-06-19-1502-01, adopted by the City Council of the City on June 19, 2018 establishing the District and Improvement Area 1 for the purpose of providing for the financing of certain public facilities in and for such District.

"Supplemental Agreement" means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Agreement, but only if and to the extent that such agreement is specifically authorized under the Agreement.

Certain Covenants

Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of the Agreement and all Supplemental Agreements and of the Bonds.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the Agreement, to the benefits of the Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by the Agreement.

Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Special Tax Fund and to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund, the Reserve Fund and the Costs of Issuance Fund. Such books of record and accounts shall at all times during business hours and upon reasonable prior notice, be subject to the inspection of the City and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Private Activity Bond Limitation. The City shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Chief Financial Officer with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which County Auditor will accept the transmission of the Special Tax amounts for the parcels within Improvement Area 1 for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the Chief Financial Officer , such data as the County Auditor requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within Improvement Area 1 required for the payment of principal of and interest on any outstanding Bonds of Improvement Area 1 becoming due and payable during the ensuing Bond Year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the rate and method of apportionment of the Special Taxes for Improvement Area 1 and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The City covenants that it will receive Net Taxes in trust for the Owners and will instruct the Chief Financial Officer to deposit all Net Taxes with the Fiscal Agent at least three Business Days prior to each Interest Payment Date, and the City shall have no beneficial right or interest in the amounts so deposited, except as provided by this Agreement. All such Net Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth in this Agreement, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the City.

Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Agreement.

No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the gross proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and Regulations.

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Yield of the Bonds. In determining the yield of the Bonds to comply with the Agreement, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing, without regard to whether or not redemption moneys are received or Bonds are redeemed.

Modification or Amendment of the Fiscal Agent Agreement

The Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the

Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Agreement), or reduce the percentage of Bonds required for the amendment hereof. No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in the Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Agreement reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Agreement, or in regard to questions arising under the Agreement, as the City and the Fiscal Agent may deem necessary or desirable, and which shall not adversely affect the rights of the Owners of the Bonds;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

If consent of the Owners is required, the Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Agreement) and a notice shall have been mailed as hereinafter provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise above specifically provided) upon the City and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in the Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in the Agreement. Upon request, the City shall provide an Officer's Certificate to the Fiscal Agent listing those Bonds which are disqualified pursuant to the Agreement.

Defeasance and Discharge

If the City shall pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with (in the event that all of the Bonds are to be defeased) the amounts then on deposit in the funds and accounts provided for in the Agreement, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums, or;

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the City shall determine as confirmed by an independent certified public accountant will, together with the interest to accrue thereon and (in the event that all of the Bonds are to be defeased) moneys then on deposit in the fund and accounts provided for in the Agreement, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in the Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Agreement and all other obligations of the City under the Agreement with respect to such Bonds Outstanding shall cease and terminate, except only the

obligations of the City related to certain tax matters and to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent pursuant to the Agreement; and thereafter Special Taxes shall not be payable to the Fiscal Agent. Notice of such election shall be filed with the Fiscal Agent.

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