

Integra Realty Resources

Sacramento

Appraisal of Real Property

Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B)

Residential Land

North line of Cow Camp Rd., East of Los Patrones Pkwy.

Rancho Mission Viejo, Orange County, California 92694

Prepared For:

County of Orange

Date of the Report:

September 14, 2023

Report Format:

Appraisal Report

IRR - Sacramento

File Number: 193-2023-0345





Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B)
North line of Cow Camp Rd., East of Los Patrones Pkwy.
Rancho Mission Viejo, California



September 14, 2023

Louis McClure
Finance Team Leader
Administrative Manager
County of Orange
333 W. Santa Ana Blvd., 3rd Floor
Santa Ana, CA 92701

SUBJECT: Market Value Appraisal
Community Facilities District No. 2023-1 of the County of Orange (Rienda
Phase 2B)
North line of Cow Camp Rd., East of Los Patrones Pkwy.
Rancho Mission Viejo, Orange County, California 92694
IRR - Sacramento File No. 193-2023-0345

Dear Mr. McClure:

Integra Realty Resources – Sacramento is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, by ownership, of the fee simple interest in certain properties within the boundaries of County of Orange Community Facilities District (CFD) No. 2023-1 (Rienda Phase 2B) (“CFD No. 2023-1”), under the assumptions and conditions contained in this Appraisal Report. The client for the assignment is County of Orange and the intended use of the report is for bond underwriting purposes.

The appraised properties are located within CFD No. 2023-1 and are within the Ranch Plan Specific Plan. The appraised properties consist of 514 single-family residential lots comprised of both attached and detached product. As of the date of value the appraised properties comprise partially-improved lots. Rienda is located north of Cow Camp Road, east of Los Patrones Parkway, Rancho Mission Viejo, Orange County, California.

The appraisal conforms to the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, and applicable state appraisal regulations. The Appraisal Report is also prepared in

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 County of Orange
 September 14, 2023
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accordance with the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

Standards Rule 2-2 (Content of a Real Property Appraisal Report) contained in the Uniform Standards of Professional Appraisal Practice (USPAP) requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report. This report is prepared as an Appraisal Report as defined by USPAP under Standards Rule 2-2(a), and incorporates practical explanation of the data, reasoning, and analysis that were used to develop the opinion of value.

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, the concluded opinions of value are as follows:

Value Conclusions			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value by Ownership, Subject to a Hypothetical Condition	Fee Simple	August 31, 2023	
RMV PA3 Development, LLC (Master Developer)			\$13,640,000
AG EHC II (LEN) CA 3, LP (Angelo Gordon, Lennar's Land Bank)			\$66,600,000
RMV MR28 – Mission Viejo LP (Hearthstone, TriPointe's Land Bank)			\$35,540,000
TH Rancho Mission Viejo MR 8, LLC (Truemark)			\$26,700,000
Pulte Home Company, LLC (Pulte)			\$12,990,000
Shea Homes LP (Shea)			\$35,950,000
Aggregate Total			\$191,420,000

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.

None

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

1. Certain proceeds from the CFD Bonds will be used to reimburse and finance infrastructure improvements and certain impact fees paid. The market values estimated herein are subject to the hypothetical condition certain authorized public improvements to be funded by proceeds from the County of Orange CFD No. 2023-1 Bonds are completed. The estimates of market value account for the impact of lien of the Special Taxes securing the CFD Bonds.

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Further, the estimates of market value by ownership group herein specifically assumes the appraised properties are not marketed concurrently, which could suggest a market under duress.

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



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Executive Summary

Property Name	Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B)
Address	North line of Cow Camp Rd., East of Los Patrones Pkwy. Rancho Mission Viejo, Orange County, California 92694
Property Type	Land - Residential
Owner of Record	RMV PA3 Development, LLC (Master Developer); AG EHC II (LEN) CA 3, LP (Angelo Gordon, Lennar's Land Bank); RMV MR28 – Mission Viejo LP (Hearthstone, TriPointe's Land Bank); and Merchant Builders: TH Rancho Mission Viejo MR 8, LLC (Truemark); Pulte Home Company, LLC (Pulte); Shea Homes LP (Shea)
Tax ID	See Addenda
Zoning Designation	Ranch Plan Specific Plan
Highest and Best Use	Residential uses
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	August 31, 2023
Date of the Report	September 14, 2023
Property Interest Appraised	Fee Simple

Value Conclusions

Market Value by Ownership, Subject to a Hypothetical Condition	
RMV PA3 Development, LLC (Master Developer)	\$13,640,000
AG EHC II (LEN) CA 3, LP (Angelo Gordon, Lennar's Land Bank)	\$66,600,000
RMV MR28 – Mission Viejo LP (Hearthstone, TriPointe's Land Bank)	\$35,540,000
TH Rancho Mission Viejo MR 8, LLC (Truemark)	\$26,700,000
Pulte Home Company, LLC (Pulte)	\$12,990,000
Shea Homes LP (Shea)	\$35,950,000
Aggregate Total	\$191,420,000

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than County of Orange and its associated finance team may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

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.

None

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

1. Certain proceeds from the CFD Bonds will be used to reimburse and finance infrastructure improvements and certain impact fees paid. The market values estimated herein are subject to the hypothetical condition certain authorized public improvements to be funded by proceeds from the County of Orange CFD No. 2023-1 Bonds are completed. The estimates of market value account for the impact of lien of the Special Taxes securing the CFD Bonds.

Identification of the Appraisal Problem

Subject Description

The appraised properties are located within the County of Orange Community Facilities District No. 2023-1 (Rienda Phase 2B) ("CFD No. 2023-1") and are within the Ranch Plan Specific Plan. The appraised properties consist of 514 single-family residential lots comprised of both attached and detached product. As of the date of value the appraised properties comprise partially-improved lots. Rienda is located north of Cow Camp Road, east of Los Patrones Parkway, Rancho Mission Viejo, Orange County, California.

Legal descriptions of the property are provided in the addenda.

Property Identification

Property Name	Community Facilities District No. 2023-1 of the County of Orange (Rienda Phase 2B)
Address	North line of Cow Camp Rd., East of Los Patrones Pkwy. Rancho Mission Viejo, California 92694
Tax ID	See Addenda
Owner of Record	RMV PA3 Development, LLC (Master Developer); AG EHC II (LEN) CA 3, LP (Angelo Gordon, Lennar's Land Bank); RMV MR28 – Mission Viejo LP (Hearthstone, TriPointe's Land Bank); and Merchant Builders: TH Rancho Mission Viejo MR 8, LLC (Truemark); Pulte Home Company, LLC (Pulte); Shea Homes LP (Shea)

Sale History

All of subject properties have sold or are in contract to be sold in blue top condition, whereby the properties are rough graded with backbone streets installed and utilities stubbed to the site(s). While details of each transaction have been provided for our review, they have been made confidential. Our value conclusions are greater than the contract prices; however, this is to be expected, as site development and in-tract work is underway or complete as of the effective appraisal date.

No known sales or transfers of ownership have taken place within a three-year period prior to the effective appraisal date.

Appraisal Purpose

The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, by ownership, of the fee simple interest as of the effective date of the appraisal, August 31, 2023. The date of the report is September 14, 2023. The appraisal is valid only as of the stated effective date.

Value Type Definitions

The definitions of the value types applicable to this assignment are summarized below.

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:

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

Property Rights Definitions

The property rights appraised which are applicable to this assignment are defined as follows.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.²

Client and Intended User(s)

The client is County of Orange. The intended users are County of Orange and its associated finance team. No party or parties beyond the clients associated finance team may use or rely on the information, opinions, and conclusions contained in this report; however, this appraisal report may be included in the offering document provided in connection with the issuance and sale of the Bonds.

Intended Use

The intended use of the appraisal is for bond underwriting purposes. The appraisal is not intended for any other use.

Applicable Requirements

This appraisal report conforms to the following requirements and regulations:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute;
- Applicable state appraisal regulations;

¹ 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

² Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7th ed. (Chicago: Appraisal Institute, 2022)

- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;
- Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

Report Format

Standards Rule 2-2 (Content of a Real Property Appraisal Report) contained in the Uniform Standards of Professional Appraisal Practice (USPAP) requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report. This report is prepared as an Appraisal Report as defined by USPAP under Standards Rule 2-2(a), and incorporates practical explanation of the data, reasoning, and analysis used to develop the opinion of value.

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 not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Appraiser Competency

No steps were necessary to meet the competency provisions established under USPAP. The assignment participants have appraised several properties similar to the subject in physical, locational, and economic characteristics, and are familiar with market conditions and trends; therefore, appraiser competency provisions are satisfied for this assignment. Appraiser qualifications and state credentials are included in the addenda of this report.

Scope of Work

Introduction

The appraisal development and reporting processes require gathering and analyzing information about the assignment elements necessary to properly identify the appraisal problem. The scope of work decision includes the research and analyses necessary to develop credible assignment results, given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

Research and Analysis

The type and extent of the research and analysis conducted are detailed in individual sections of the report. Although effort has been made to confirm the arm's-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Subject Property Data Sources

The legal and physical features of the subject property, including size of the site, flood plain data, seismic zone designation, property zoning, existing easements and encumbrances, access and exposure, and condition of the improvements (as applicable) were confirmed and analyzed.

Inspection

Kevin Ziegenmeyer, MAI, conducted an on-site inspection of the property on August 8, 2023.

Valuation Methodology

Three approaches to value are typically considered when developing a market value opinion for real property. These are the cost approach, the sales comparison approach, and the income capitalization approach. Use of the approaches 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

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

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 appraised properties were researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. The sales history was verified by consulting public records. Zoning and entitlement information was collected from the County of Orange Planning Department (on-line resources). The earthquake zones, flood zones and utilities were obtained from the respective agencies, and property tax information was obtained from the County of Orange Assessor’s Office on-line resources.

Data relating to the 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, we determined the highest and best use of the subject property as though vacant based on the four standard tests (legal permissibility, physical possibility, financial feasibility, and maximum productivity). As will be shown in the *Highest and Best Use Analysis* section, the highest and best use of the subject property is for single-family residential development (detached and attached, production homes).

Please note, this appraisal will utilize the term “**improved lot**” to denote a residential lot which has all off-sites and on-sites in place, and which includes any permits and impact fees due up until building permit. Building permits and fees due at building permit are excluded. Terminology for this type of improved lot can vary by market area, and is sometimes referred to as a “finished lot” or “loaded lot.”

The valuation of the underlying land of the various lot categories is estimated by employing residual land analysis, a type of discounted cash flow, to arrive at a lot value for the subject’s various product types. With a rapidly changing market, the land residual analysis is considered to be the most applicable approach to value. The sales comparison approach is typically a lagging indicator of value in a rapidly expansionary or contracting market. There has been a lack of recent lot sales within the region due to homebuilders taking a pause on buying more lots due to the recent rise in interest rates. Therefore, the land residual analysis is given the greatest emphasis in the valuation of the subject lots.

The market value estimates for the various taxable land use components described above were then assigned to the various lots comprising Appraised Properties in order to derive the values, by ownership. For lots owned by the homebuilders, remaining on-site (in-tract) development costs and remaining off-site cost obligations are deducted by ownership.

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 this Appraisal Report that proceeds from the Bonds are available to finance for authorized public improvements. The estimate of market value accounts for the impact of the Assessment Lien securing the County of Orange Community Facilities District No. 2023-1 (Rienda Phase 2B) (“CFD No. 2023-1”).

Economic Analysis

Area Analysis – Orange County

Introduction

Orange County is located in the southern part of California, bordered by Los Angeles County on the north, San Bernardino and Riverside Counties on the northeast and San Diego County on the southeast and the Pacific Ocean on the southwest. It is the smallest county in Southern California, with an area of 948 square miles, 157 square miles of which is water. The Santa Ana River roughly bisects the county into a northwestern and southeastern portion. The southeastern, inland part of the county has higher elevations in the foothills of the Santa Ana Mountains and the topography transitions to lower coastal land in the northwestern part of the county.

Most of the population in the county is concentrated in the northern and central portions of the county, within cities surrounding the county seat of Santa Ana, including Anaheim, Buena Park, Costa Mesa, Fullerton, Garden Grove, Irvine, Orange, Placentia, Santa Ana and Yorba Linda; as well as the region known as the Saddleback Valley in the southeastern part of the county, including Mission Viejo, Ladera Ranch, Coto de Caza, Trabuco Canyon, Rancho Santa Margarita, Lake Forest, Aliso Viejo, Laguna Woods, Laguna Hills and Laguna Niguel. The northern/central part of the county is more urbanized with dense development and business districts, while the southern part is suburban in nature, with lower density development. Several cities within the county are located on the Pacific Coast: Huntington Beach, Newport Beach, Laguna Beach, Dana Point and San Clemente. In total, there are 34 incorporated towns and cities in the county.

Population

The county has a population of over 3.16 million, which has declined at an average rate of 0.1% over the past five years. The following table illustrates recent population trends for areas within Orange County.

Population Trends							
City	2017	2018	2019	2020	2021	2022	%/Yr
Aliso Viejo	49,556	50,688	50,206	51,848	51,233	50,782	0.5%
Anaheim	355,719	356,147	356,618	345,866	344,604	341,245	-0.8%
Brea	44,092	44,072	44,655	47,221	47,097	46,872	1.3%
Buena Park	83,539	83,215	82,837	84,265	83,968	83,430	0.0%
Costa Mesa	113,640	113,535	114,075	112,492	112,183	111,394	-0.4%
Cypress	48,968	49,037	48,887	50,390	50,029	49,810	0.3%
Dana Point	33,910	33,750	33,564	33,162	33,053	32,943	-0.6%
Fountain Valley	56,500	56,158	55,718	57,166	57,068	56,564	0.0%
Fullerton	142,846	142,996	142,251	144,383	141,974	142,732	0.0%
Garden Grove	174,892	174,300	174,038	172,046	171,284	170,526	-0.5%
Huntington Beach	199,927	199,495	199,742	198,465	197,616	196,100	-0.4%
Irvine	263,295	270,260	274,641	307,775	301,254	310,250	3.6%
Laguna Beach	23,162	23,031	22,868	23,004	22,862	22,706	-0.4%
Laguna Hills	31,960	31,807	31,583	31,391	31,017	30,750	-0.8%
Laguna Niguel	65,097	64,692	65,038	64,538	64,885	64,316	-0.2%
Laguna Woods	16,555	16,451	16,314	17,757	17,670	17,514	1.2%
La Habra	62,425	62,581	63,464	62,781	62,317	61,792	-0.2%
Lake Forest	82,766	83,549	84,543	86,013	86,406	86,775	1.0%
La Palma	15,908	15,837	15,704	15,584	15,463	15,332	-0.7%
Los Alamitos	11,776	11,715	11,622	11,896	11,895	11,873	0.2%
Mission Viejo	96,876	96,353	95,728	93,665	93,171	92,515	-0.9%
Newport Beach	86,824	87,039	86,419	85,156	84,459	83,727	-0.7%
Orange	140,020	140,458	140,368	139,595	137,534	137,676	-0.3%
Placentia	52,536	52,244	51,871	51,812	51,522	51,204	-0.5%
Rancho Santa Margarita	49,422	49,314	48,987	47,949	47,703	47,279	-0.9%
San Clemente	65,107	65,021	64,558	64,148	63,877	63,380	-0.5%
San Juan Capistrano	36,174	36,118	36,124	34,988	34,907	34,798	-0.8%
Santa Ana	337,181	336,077	334,231	310,410	311,340	308,459	-1.7%
Seal Beach	24,927	24,915	24,798	25,242	25,002	24,846	-0.1%
Stanton	39,610	39,423	39,194	37,675	38,284	39,275	-0.2%
Tustin	81,666	81,269	80,701	80,399	80,157	79,535	-0.5%
Villa Park	5,945	5,907	5,852	5,863	5,834	5,782	-0.5%
Westminster	93,005	92,809	92,289	90,998	90,812	90,393	-0.6%
Yorba Linda	68,641	68,560	68,304	68,095	67,760	67,233	-0.4%
Unincorporated	125,658	127,431	127,586	132,951	133,302	132,437	1.1%
Total	3,180,125	3,186,254	3,185,378	3,186,989	3,169,542	3,162,245	-0.1%

Source: California Department of Finance

Orange County is the third most populous county in California, following Los Angeles and San Diego Counties. The majority of residents live within incorporated areas, the largest of which is the city of Anaheim with a population of just over 341,000. Santa Ana is the county seat and the third most populous. The seven largest cities, ranging in population from 137,676 to 341,245, make up 51% of the total county population.

Employment & Economy

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

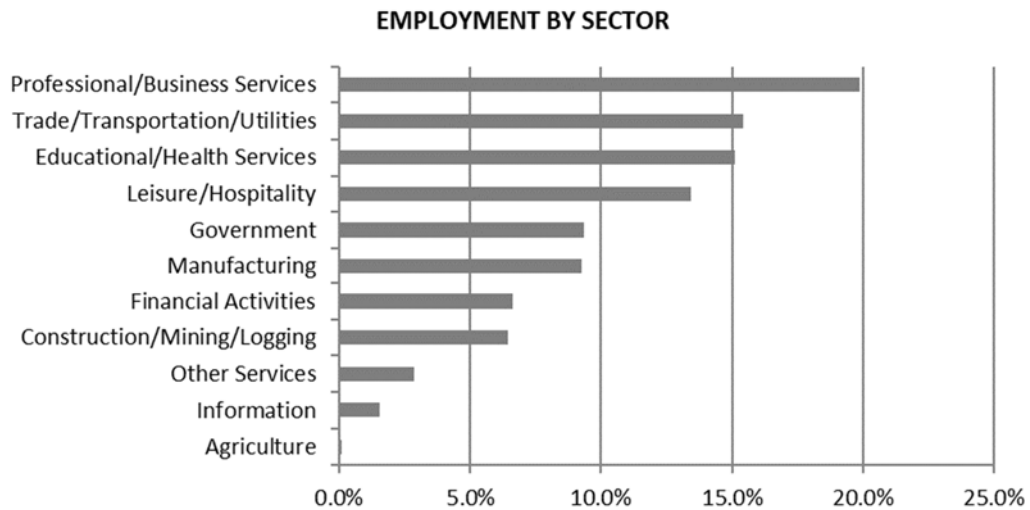
Employment Trends						
	2017	2018	2019	2020	2021	2022
Labor Force	1,605,800	1,615,900	1,616,000	1,561,500	1,553,900	1,591,500
Employment	1,549,000	1,567,700	1,570,000	1,420,700	1,461,200	1,544,000
Annual Employment Change	16,300	18,700	2,300	(149,300)	40,500	82,800
Unemployment Rate	3.5%	3.0%	2.8%	9.0%	6.0%	3.0%

Source: California Employment Development Department

For most areas within the state and nation, including Orange County, unemployment declined from 2004 through 2006, increased from 2007 to 2010, declined during 2011-2019, increased significantly in 2020 due to the pandemic and improved in 2021 and 2022. Current unemployment has declined to pre-pandemic levels.

As of December 2022, the California Employment Development Department reported an unemployment rate of 2.5% in Orange County, which is below the year ago estimate of 3.7% and compares to rates of 3.7% for California and 3.3% for the nation.

The following chart indicates the percentage of total employment for each sector within the county as of December 2022.



Source: California Employment Development Department

Orange County has a diverse economy, with the majority of its employment distributed among several sectors of industry, as opposed to one or two key sectors. As illustrated in the chart above, the region’s largest employment sectors are Professional and Business Services; Trade/Transportation/Utilities; and Educational and Health Services. The Leisure and Hospitality industry was most heavily impacted by the pandemic but has gradually recovered to near pre-pandemic levels.

The county is home to several Fortune 500 and Fortune 1000 companies, as well as start-up companies and notable technology companies, such as Gateway Inc., Linksys, Blizzard Entertainment

and Panasonic Avionics Corporation. Regional headquarters of several international companies, such as Mazda, Toshiba, Toyota, Samsung, Mitsubishi, Hyundai and others, are also located in the county, as are headquarters for several fashion brands (Oakley, Inc., Hurley International, St. John's) and restaurants (In-N-Out Burger, Claim Jumper, Taco Bell, El Pollo Loco and Wienerschnitzel). The region's largest employers are listed in the following table.

Largest Employers		
Employer	Industry	Employees
1 University of California, Irvine	Education	26,182
2 Walt Disney Co.	Leisure / Hospitality	25,000
3 County of Orange	Government	18,388
4 Providence	Healthcare	13,079
5 Kaiser Permanente	Healthcare	8,800
6 Albertsons	Grocery / Retail	7,853
7 Hoag Memorial Hospital	Healthcare	7,051
8 Walmart, Inc.	Retail	6,300
9 Target Corporation	Retail	6,000
10 MemorialCare	Healthcare	5,490

Source: County of Orange, Comprehensive Annual Financial Report, For The Year Ended June 30, 2022

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. According to Claritas Spotlight data reporting service, the median household income estimated for Orange County in 2023 is \$104,614, which is higher than the state of California's median income of \$89,113.

Transportation

Access to and through Orange County is provided by several routes, including three major interstates and several state routes and connector highways. The Santa Ana Freeway (Interstate 5) is one the primary north-south transportation routes in Southern California, connecting all of California, Oregon and Washington to Los Angeles, and Los Angeles to suburbs southeast, terminating in San Diego. It connects to several state highways, including State Route 91, State Route 22, and State Route 55. It also connects with Interstate 405, known as the San Diego Freeway, another primary route through the region, providing access from San Fernando north of Los Angeles, continuing south through Inglewood west of Los Angeles, through Torrance, Fountain Valley and Irvine, where it terminates at the I-5 junction.

Several major east-west freeways provide access to neighboring counties in Southern California. State Route 91, known as the Riverside Freeway, runs from Gardena in Los Angeles County to Riverside County to the east. State Route 22 runs between Long Beach and Orange, through Garden Grove. State Route 55, also known as the Costa Mesa Freeway, runs from the coast in Newport Beach to

Anaheim, where it terminates at State Route 91. Several smaller highways connect to these primary routes to provide ground transportation throughout the county.

Public transportation is provided primarily by the Orange County Transportation Authority (OCTA), which manages the county's bus network, maintains local streets and freeways, regulates taxicab services; and manages express toll lanes on State Route 91. The OCTA also collaborates with Southern California's Metrolink to provide commuter rail service via the Orange County Line, the 91 Line and the Inland Empire-Orange County Line.

The county has one major airport, the John Wayne Airport, with seven airlines servicing passengers and two cargo airlines (FedEx and UPS). In 2019, the airport serviced over 10.6 million passengers. While that number dropped significantly in 2020 to 3.8 million passengers due to travel restrictions during the pandemic, it increased in 2021 to 7.7 million passengers serviced and 11.4 million in 2022. The next closest airports are Los Angeles International Airport approximately 42 miles northwest; Ontario Airport approximately 43 miles northeast; and Hollywood Burbank Airport approximately 54 miles northwest.

Recreation & Culture

Orange County offers innumerable recreational and cultural opportunities, including world renowned Disneyland, Knotts Berry Farm, beaches, biking paths and hiking trails, golf courses, shopping and dining. Disneyland is ranked as the second most visited theme park in the world and Knotts Berry Farm receives roughly seven million visitors per year. The year-round, mild climate attracts millions of tourists annually, with 40 miles of coastline home to several beaches popular for surfing and sunbathing. Anaheim is home to the largest convention center on the West Coast with major conventions held throughout the year. Several significant shopping malls are located in Orange County, including South Coast Plaza, the largest mall in California and the third largest in the U.S.; Fashion Island, an open-air mall in Newport Beach; and the Irvine Spectrum Center, an outdoor shopping and entertainment center.

There are several historical points of interest in the county, including Mission San Juan Capistrano and the Richard Nixon Presidential Library and Museum, as well as other notable structures/venues, such as Crystal Cathedral and Angel Stadium.

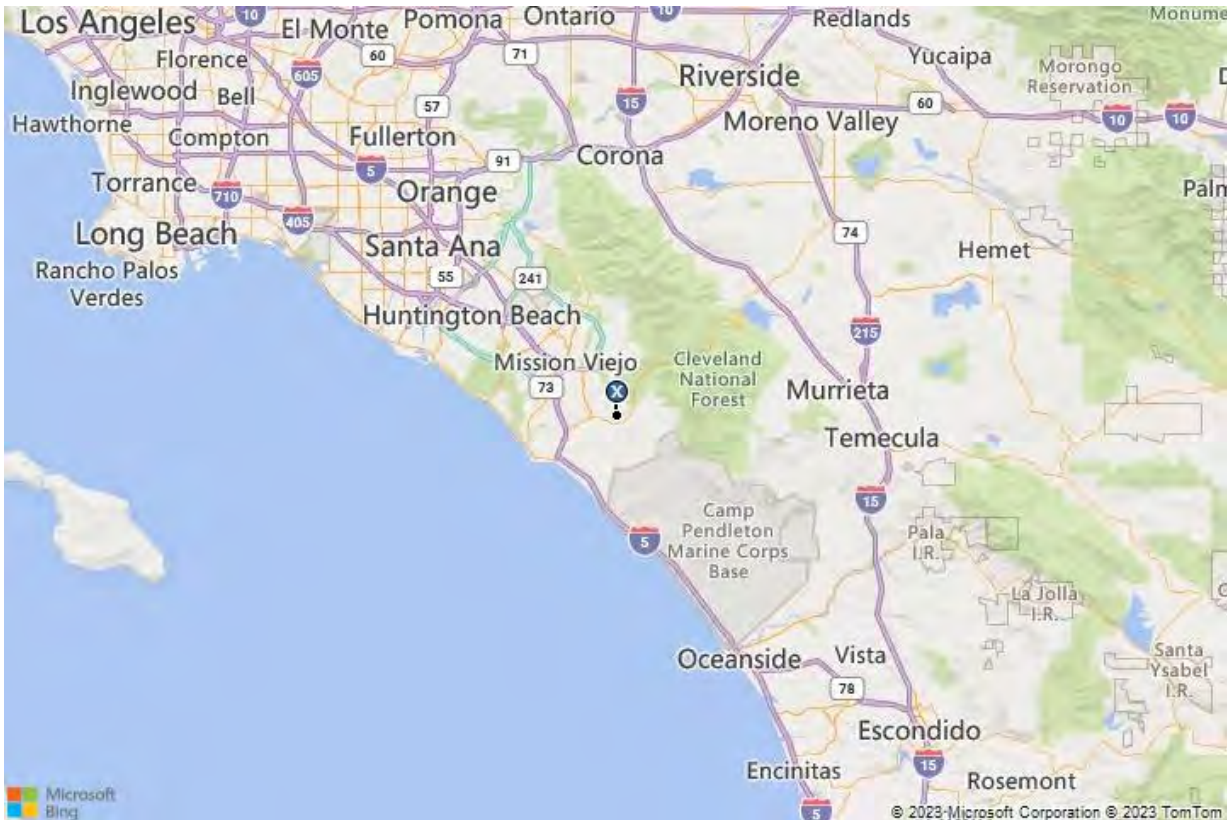
Over 28 school districts provide elementary, middle and high school education in the county. Orange County has many higher education institutions ranging from two-year community colleges to private and public universities, including Chapman University, Concordia University, Hope international University, Saddleback College, Trinity Law School, Vanguard University, California State University Fullerton, and University of California Irvine.

Conclusion

Orange County, one of the largest counties in the state, is located in the southern portion of California, with extensive transportation routes; diverse employment opportunities; numerous colleges and universities; and recreational activities ranging from world famous amusement parks, popular beaches, an abundance of shopping centers and dining establishments, and outdoor hiking and biking trails.

The county has had steady improvement in economic and market conditions after a decline following the onset of the pandemic. However, current macroeconomic factors, particularly high inflation and rising interest rates, have re-introduced uncertainty in the market. Overall, the locational advantages and historical stability of the local economy bode well for recovery and the long-term outlook for the region is good.

Area Map



Surrounding Area Analysis

Location

The subject is located in The Ranch Plan Specific Plan, within the Rancho Mission Viejo community, in an area in Orange County known as Saddleback Valley. Saddleback Valley describes the landmark formed by the two highest peaks in the Santa Ana Mountains and the ridge between them, which resembles a saddle. This valley is home to cities and communities to the west of the formation, including Mission Viejo, Ladera Ranch, Coto de Caza, Trabuco Canyon, Rancho Santa Margarita, Lake Forest, Aliso Viejo, Laguna Woods, Laguna Hills, and Laguna Niguel, among others.

Rancho Mission Viejo is situated just east of the community of Ladera Ranch. More specifically, Rancho Mission Viejo is surrounded by Ladera Ranch to the west, Las Flores and the city of Rancho Santa Margarita to the north, the community of Coto de Caza to the northeast, the foothills of the Santa Ana Mountains to the east, unincorporated areas of Orange County to the south and San Juan Capistrano to the southwest.

The neighborhood boundaries are generally Interstate 5 to the west until Oso Parkway; Oso Parkway forms a northern boundary eastward until it reaches the western boundary of the Las Flores community, at which point the western boundaries of Las Flores and Rancho Santa Margarita form the western boundaries of the neighborhood; the northern boundary of the neighborhood corresponds to the Rancho Santa Margarita city limits; the eastern boundary is formed by the Santa Ana Mountains and Highway 74 forms the southern neighborhood boundary.

A map identifying the location of the property follows this section.

Access and Linkages

The subject benefits from excellent access near freeways and major thoroughfares, with Interstate 5 and Highway 74, also known as Ortega Highway, approximately four and two miles away, respectively. Interstate 5 is the primary route connecting all of California and the west coast. In the subject's neighborhood, Interstate 5 provides access to the communities and cities within Orange County, including Laguna Hills, Mission Viejo, Lake Forest, Irvine, Santa Ana, Anaheim, and into Los Angeles County. To the south, it provides access to San Juan Capistrano, San Clemente and along the Pacific Coast to San Diego. Interstate 5 intersects with a multitude of additional highways, providing access throughout the Southern California region. Highway 74 begins at its intersection with Interstate 5 in San Juan Capistrano and extends east through the Santa Ana Mountains into Riverside County. It is one of two routes that provide access through the mountains; the other route is Highway 91, approximately 30 miles north of the subject.

Los Patrones Parkway is the predominant thoroughfare in the neighborhood, situated just east of the subject. It is the primary north/south route connecting Rancho Mission Viejo with Las Flores and Rancho Santa Margarita to the north. At the city boundaries of Rancho Santa Margarita, Los Patrones Parkway becomes Highway 241, which travels through the city and north through the county, terminating at its juncture with Highway 91.

Additional area thoroughfares include Antonio Parkway and Oso Parkway, approximately two to seven miles east and northeast of the subject. Antonio Parkway provides the major north/south connector through Ladera Ranch and connects with Oso Parkway to the north. Oso Parkway is an east/west route through the southern portions of the cities of Mission Viejo and Laguna Hills.

Public transportation in the neighborhood is provided by OC Bus, which operates fixed bus routes and Stationlink rail service which connects OC Metrolink stations with major employment centers. The bus routes most proximate to the subject are Routes 85 (Mission Viejo - Laguna Niguel), 86 (Costa Mesa – Mission Viejo) and 91 (Laguna Hills – San Clemente). The nearest Metrolink station is the Mission Viejo Laguna Niguel Station, located just north of the intersection of Interstate 5 and Highway 73.

The nearest airport for commercial air travel is John Wayne Airport, located approximately 26 miles northwest in Orange County.

Demographic Factors

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

Surrounding Area Demographics					
2023 Estimates	3-Mile Radius	5-Mile Radius	10-Mile Radius	Orange County, CA	Los Angeles-Long Beach et al, CA Metro
Population 2020	14,012	79,734	501,681	3,186,989	13,200,998
Population 2023	15,437	81,348	501,190	3,183,623	13,001,368
Population 2028	17,770	84,874	506,570	3,218,503	12,943,151
Compound % Change 2020-2023	3.3%	0.7%	0.0%	0.0%	-0.5%
Compound % Change 2023-2028	2.9%	0.9%	0.2%	0.2%	-0.1%
Households 2020	5,110	26,490	185,028	1,074,105	4,494,733
Households 2023	5,536	26,918	185,543	1,077,652	4,451,946
Households 2028	6,298	28,048	188,418	1,095,897	4,463,302
Compound % Change 2020-2023	2.7%	0.5%	0.1%	0.1%	-0.3%
Compound % Change 2023-2028	2.6%	0.8%	0.3%	0.3%	0.1%
Median Household Income 2023	\$182,526	\$172,209	\$126,819	\$104,614	\$86,066
Average Household Size	2.8	3.0	2.7	2.9	2.9
College Graduate %	66%	61%	50%	41%	35%
Median Age	41	38	42	40	39
Owner Occupied %	85%	82%	70%	57%	49%
Renter Occupied %	15%	18%	30%	43%	51%
Median Owner Occupied Housing Value	\$1,158,421	\$1,195,510	\$1,037,948	\$933,045	\$857,642
Median Year Structure Built	2016	2002	1985	1976	1968
Average Travel Time to Work in Minutes	35	33	31	31	35

Source: Claritas

As shown above, the current population within a 5-mile radius of the subject is 81,348, and the average household size is 3.0. Population in the area has grown since the 2020 census, and this trend is projected to continue over the next five years. Compared to Orange County overall, the population within a 5-mile radius is projected to grow at a faster rate.

Median household income is \$172,209, which is higher than the household income for Orange County. Residents within a 5-mile radius have a considerably higher level of educational attainment than those of Orange County, while median owner occupied home values are considerably higher.

Land Use

Development in the subject's neighborhood area is comprised of several large master planned communities that have been developed over the past 50+ years on what was originally a series of land grants that combined was called Rancho Mission Viejo. Four master planned communities have been developed on Rancho Mission Viejo. The first was in 1963 with the 11,000-acre master planned community of Mission Viejo. The city of Rancho Santa Margarita, the community of Las Flores and the community of Ladera Ranch were also developed on Rancho Mission Viejo. Trabuco Canyon and Coto de Caza are communities in the neighborhood. Trabuco Canyon is a small, unincorporated community situated on land that was originally part of Rancho Trabuco. Coto de Caza is a census-designated place in Orange County and is a guard-gated private community, featuring approximately 4,000 homes. Development in this community began in 1968 and was completed in 2003. It is one of Orange County's oldest and most expensive master planned communities.

In the year 2000, the owning entities of Rancho Mission Viejo created a land use and preservation plan for the 23,000 acres remaining in Rancho Mission Viejo, which was approved in 2004. This plan created the Reserve at Rancho Mission Viejo, a 17,000-acre habitat reserve, and a 6,000-acre new community to be called Rancho Mission Viejo, which would be the next master planned community for growth in Orange County. The community began to develop in 2010, with phased development of 14,000 homes extending into 2040.

The first residential village in the Rancho Mission Viejo master planned community was Sendero, which opened in July 2013 at Antonio Parkway and Highway 74. Sendero was developed with 1,334 homes and sold out in two years. In 2015, Esencia Village opened with its first neighborhoods and various community amenities. As of the date of this appraisal, Sendero Village, Gavilan (Age 55+) and Esencia Village have been developed. Esencia includes 2,778 residential units (2,516 for-sale units, 150 market rate apartment units, and 112 affordable apartment units), with less than 100 homes remaining after four years of sales. The Esencia Village sold out in 2020. Neighborhoods within the Village of Esencia include Sterling, Reverie, Vivaz, Avant, Cobalt, Modena, and Viridian.

The next phase of development in The Ranch Plan Specific Plan is Planning Area 3 of 7,000 dwelling units (for which the subject is a portion of). The first development will be the Village of Rienda, which opened in April 2022. Rienda will be the third village in The Ranch Plan and will feature 2,700 new homes, with plans to deliver smaller homes that are more affordable. Rienda will average 18 units per acre, and up to 28 units per acre for the condominium project. This compares to Sendero which averaged 8-10 homes per acre and Esencia, with homes averaging 10-12 units per acre. The village will be located east of Los Patrones Parkway, along the north side of Highway 74. It is anticipated the project will take six to eight years to complete; the first phase of 950 homes, comprising 11 neighborhoods, features condominiums, townhomes, duplexes, and detached single-family homes. Homebuilders within the first phase of Rienda include Lennar, TriPointe, Meritage, Pulte, and Trumark.

Rienda is part of what is identified as Planning Area 3 in The Ranch Plan. This Planning Area comprises 2,200 acres and is planned for 7,000 homes. At completion, Rienda will also have 250 apartments, 100-150 affordable housing units, 815 homes for 55+ years, and roughly 2.5 million square feet of non-residential development for retail and community amenities.

It is expected it will take 20 years to complete all development in The Ranch Plan and this will also be the last, large master planned community on previously undeveloped land in Orange County.

Currently, Rancho Mission Viejo still has a working cattle ranch, called The Ranch, with year-round operations including orchards and row crops. Rancho Mission Viejo is one of the largest citrus producers in Orange County, with more than 63,000 lemon trees harvested year-round. There are also over 9,000 avocado trees.

Single-family residential uses are situated to the north, south and west of the subject, while the east is undeveloped land.

There are several apartment projects in the neighborhood, with the most proximate being Esencia Norte Apartment Homes and Esencia Sur Apartment Homes situated in the southern portion of the community, at the northwest quadrant of Los Patrones Parkway and Cow Camp Road. Sendero Gateway and Sendero Bluffs Senior Apartment Homes are located along Highway 74 and Antonio Parkway. Additional multifamily projects are found in Ladera Ranch, Las Flores and Rancho Santa Margarita.

As part of the Rancho Mission Viejo project, the subject benefits from a variety of recreational and community amenities available to its residents, including clubhouses, fitness and pools, parks and playgrounds, farms, nature trails, food, retail, and schools. The Esencia Elementary school is part of the Capistrano Unified School District. The neighborhood is served by the Las Flores Middle School and Tesoro High School, also in Las Flores.

Sendero Marketplace, a 10-acre retail plaza at the northeast corner of Antonio Parkway and Highway 74 has also been completed as part of the community. Additional commercial uses in the neighborhood are located to the west along streets parallel to Interstate 5. Rancho Viejo Road intersects Highway 74 and travels parallel to Interstate 5 through the northern part of San Juan Capistrano and becomes Marguerite Parkway at the Mission Viejo city limits. Commercial uses along Rancho Viejo Road include restaurants, cafes and bars, fitness centers, beauty salons and services, and limited neighborhood commercial services. There are also numerous bus stops and park and ride locations along this route.

Along the east side of Marguerite Parkway just north of Avery Parkway near the Mission Viejo city limits is Saddleback College. On the other side of the street, across from the college campus is an intensive commercial hub, including The Shops at Mission Viejo indoor shopping mall; Kaleidoscope Courtyards (Target, UPS Store, Bank of America, Edwards Theatre, and others); Campus Plaza (La-Z-Boy Furniture Gallery, DSW Shoes, Pier 1, Burlington, etc.). There are also a variety of additional eating establishments, retail boutiques, Hampton Inn and Suites, a United States Post Office and neighborhood commercial services. Adjacent to The Shops at Mission Viejo is Mission Hospital. Surrounding the hospital are various medical and wellness service offices, including plastic surgery,

chiropractic, acupuncture and massage, as well as general office uses. Continuing north, Marguerite Parkway travels through residential neighborhoods with commercial uses concentrated at major street intersections.

Commercial development in Las Flores is concentrated at Oso Parkway and Antonio Parkway and consists of a few eating establishments and limited retail.

The other large commercial hub in the neighborhood is in Rancho Santa Margarita, at the intersection of Santa Margarita Parkway and Highway 241. This area contains Lowe's Home Improvement, Walmart, PetSmart, Staples, Target, Walgreens, Cinopolis Luxury Theatres, Kohls, Bed Bath and Beyond, 24-Hour Fitness, Pavilions grocery store, a variety of eateries and neighborhood service providers. Rancho Santa Margarita City Hall, related civic offices and Rancho Santa Margarita Library are also located here.

The neighborhood is served by several elementary, middle and high schools. Saddleback College is the largest college in the neighborhood; Carrington College and 123 College of Orange County, a technical college, are also located in Mission Viejo. The nearest hospital is Mission Hospital in Mission Viejo.

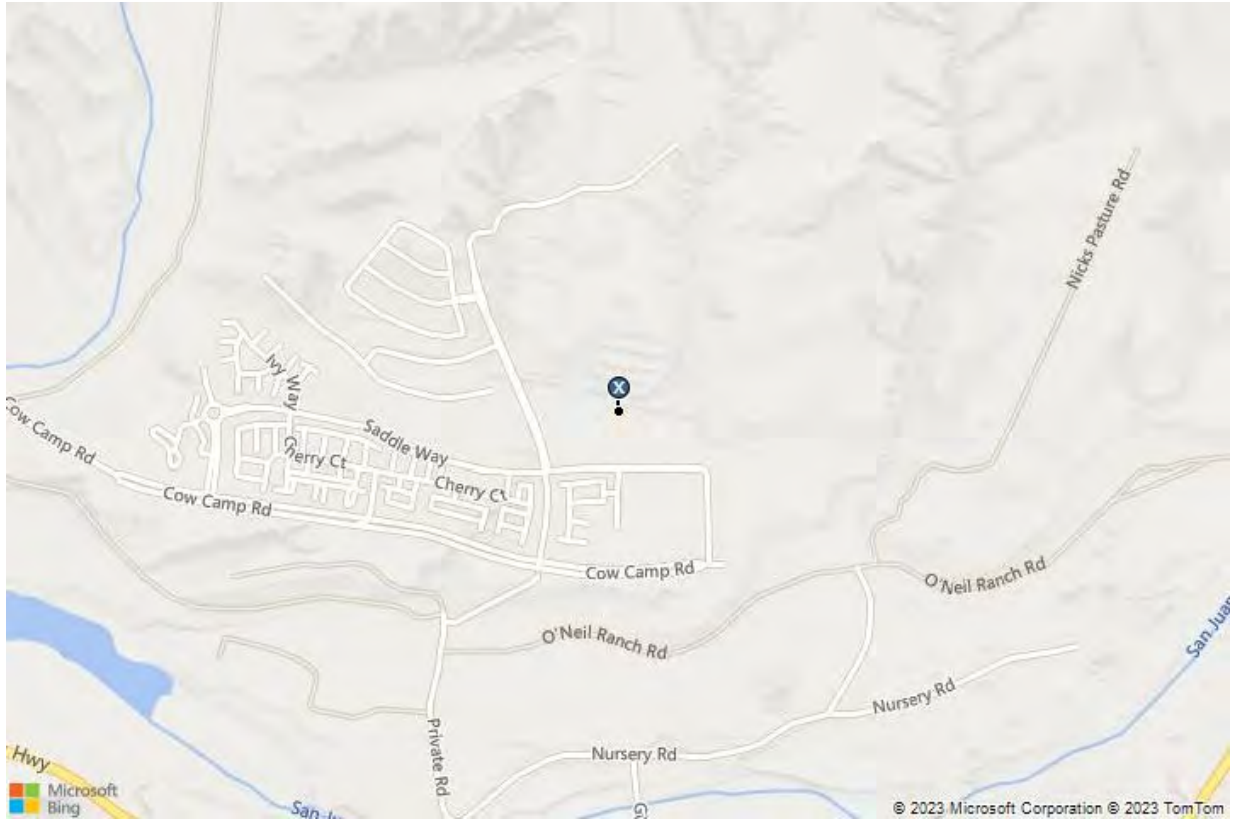
The area east of the subject is undeveloped and flows into Casper's Wilderness Park, an area of 8,000 acres of protected wilderness among the western part of the Santa Ana Mountains. The Park features areas for hiking, horseback riding, mountain biking, road biking, trail running, and a walking trail. The Santa Ana Mountains extend for approximately 61 miles largely along the border between Orange and Riverside counties.

The neighborhood has an abundance of outdoor recreational opportunities. In addition to the various recreational amenities within Rancho Mission Viejo and Casper's Wilderness Park, there is O'Neill Regional Park, Riley Wilderness Park, and several smaller parks located within the various residential subdivisions. Marbella Country Club is located along the east side of Rancho Viejo Road, north of Highway 74 in San Juan Capistrano; Arroyo Trabuco Golf Club is located just east of Saddleback College; Coto de Caza Golf and Racquet Club is located north of the subject along Coto de Caza Drive, the primary thoroughfare through that community; the Rancho Mission Viejo Riding Park is located along the south side of Highway 74 and Avenida la Pata/Antonio Parkway.

Outlook and Conclusions

The subject's neighborhood represents an area of growth in Orange County and Southern California. Housing in the Southern California region continues to be a concern and a state mandate has been issued to provide 1.34 million homes by 2030. Much of this supply will be denser developments clustered within reclaimed retail, commercial and industrial sites. The Rancho Mission Viejo community is among the last of large communities that can be developed in Orange County and as such, demand is expected to remain strong. We anticipate that property values will remain stable to in the near future.

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.

The residential housing market has been changing due to rising interest rates. After a period of expansion leading up to, and sustained during, the COVID-19 pandemic with low mortgage interest rates, the increased cost of borrowing, which began in 2022, put downward pressure on housing affordability and, consequently, housing prices. A survey of several active homebuilders was conducted to gain insight relative to current market conditions. While new home sales trended downward over the course of 2022, for many submarkets the compression was most pronounced in late 2022. The duration of the downward trend appears to have been short-lived in some submarkets and lingering in others. However, the overall consensus among active market participants is the downward trend has stabilized or increased, based on submarket, with limited evidence of ongoing downward pressure.

In many new home submarkets sales began rising in the Spring of 2023. This is partially due to low resale inventory, as existing homeowners with low interest rate mortgages have reconsidered a move, with a corresponding higher interest rate mortgage. The result is a more constrained resale market inventory, leading many first-time buyers to find that increased opportunities in the new home market despite slightly higher prices than resale homes. With the market volatility in the second half of 2022, buyers were concerned with settling for a higher interest rate, but were also waiting to see if home prices would decline. Some buyers accepted the higher interest rates but wanted assurance they weren't overpaying for a home that would soon drop in price. Reportedly, many new homebuyers have now adjusted their budgets to current interest rates, which have stabilized, and seem more confident in their expectations of interest rate activity in the near term. Homebuilders are still offering concessions in the market to buy down the interest rates for prospective buyers, which decreases the net sale price to the homebuilders, but allows more buyers to afford the new home product; this trend is expected to continue in the near term, as the higher interest rate environment has led to tighter lending standards. It's also worth noting the unemployment rate has risen slightly following the recent trend in company layoffs impacting many of the technology sectors throughout the San Francisco Bay Area and Southern California, which may impact the homebuyer market in some submarkets.

Submarket Overview

The subject is located in Rancho Mission Viejo, an active 23,000-acre ranch and farm, habitat reserve, residential community, and census-designated place in South Orange County, California. The subject is located within proximity of existing residential development, but immediately adjacent to planned future residential development. It is noted Rancho Mission Viejo is home to four master-planned communities: the City of Mission Viejo, City of Rancho Santa Margarita, Las Flores, and Ladera Ranch. Sendero was the first new community within Rancho Mission Viejo, with its grand opening in 2013. In Fall 2015, the new community of Esencia celebrated the grand opening of its first 12 neighborhoods, as well as a host of community amenities.

The subject 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, 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 Orange County, the surrounding communities of Mission Viejo and San Juan Capistrano, and the unincorporated areas of Orange County are shown in the following table.

Building Permits				
Year	Orange County	Mission Viejo	San Juan Capistrano	Unincorporated Area of Orange Co.
2012	2,271	66	101	202
2013	3,670	36	102	690
2014	3,714	2	59	651
2015	3,809	0	48	566
2016	4,357	32	62	687
2017	4,904	37	94	815
2018	4,085	16	43	385
2019	3,422	0	87	226
2020	2,985	14	80	159
2021	3,449	32	16	99
2022	2,931	34	173	309
2023 (through June)	1,369	11	73	78

Source: SOCDs Building Permits Database

The subject is located within an area of Orange County which has observed limited new home construction in recent years.

Active New Home Absorption

Aside from the adjacent active projects within Planning Areas 3.1 and 3.2A of The Village at Rienda, there are no active new home projects within the subject's market area.

The following pages provide housing metrics from the Ryness Group (new home sales tracking service). The graphics from the Ryness Group summarize residential market conditions within Orange County; the subject is located in the South Inland Orange submarket, which is comprised of Lake Forest, Rancho Mission Viejo, and Mission Viejo. New home projects (overall) in the South Inland Orange submarket as of the week ending August 27, 2023 are averaging 1.08 sales per week.

The Ryness Group report from the week ending August 27, 2023 includes ten active projects located within Planning Areas 3.1 and 3.2A of The Village at Rienda, which are summarized below.

Average Sales per Week: Subject's Active Projects

Project	Builder	Market Segment/ Product Type	Avg. Sales/Week as of August 27, 2023
Haven	Lennar	Age Qualified / Detached Duplex	0.88
Oasis	Lennar	All Age / Attached Row Townhome	0.73
Pearl	Lennar	Age Qualified / Detached Cluster	0.80
Portico	Lennar	All Age / Attached Flats	1.22
Serenity	Lennar	All Age / Detached Stub Alley	1.02
Evolve	Pulte	All Age / Detached Stub Alley	1.00
Botanica	TriPointe	All Age / Detached SFR	1.23
Paisley	TriPointe	All Age / Detached Duplex	1.07
Wildrose	TriPointe	All Age / Detached Stub Alley	0.98
Dahlia	Trumark	All Age / Detached SFR	1.35

As illustrated from the information cited above, the subject market area is enjoying market acceptance across all product lines offered. While the active projects within larger Rienda master planned community have reported stable demand from homebuyers since the grand opening (April 2022), there has been recent indications of prospective buyer pullback within the greater regional area, as well as within hot residential markets nationally. Our analysis herein takes into consideration the existing cross currents being observed and reported within the residential (for-sale) market.

In addition, we were provided a Market Absorption Study prepared by Empire Economics, Inc., dated August 9, 2023. Our estimates of absorption of approximately 2.5 to 3.7 units per month per project, are generally consistent with the conclusions of absorption within this study.

THE RYNESS REPORT

A New Home Sales, Marketing & Research Company

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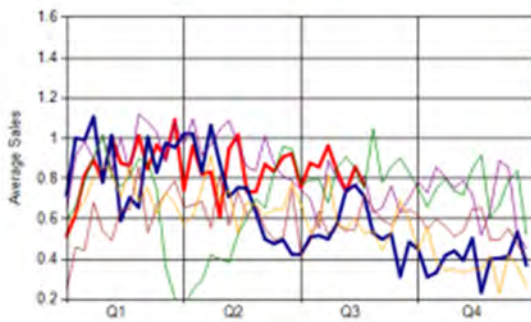
LA-Orange-North

Week 34

Ending: Sunday, August 27, 2023

Counties / Groups	Projects	Traffic	Sales	Cancel	Net Sales	Avg. Sales	Year to Date Avg.	Year to Date Diff.	Prev. 13 Wks. Avg.	Prev. 13 Wks. Diff.
Central-North Orange	42	996	49	1	48	1.14	0.97	17%	1.02	12%
Coastal-South Orange	16	348	18	3	15	0.94	1.01	-8%	1.01	-7%
Los Angeles	32	506	19	4	15	0.47	0.83	-44%	0.77	-39%
Santa Clarita / Antelope	26	745	19	4	15	0.58	0.64	-10%	0.63	-8%
Ventura	6	279	7	1	6	1.00	0.54	86%	0.47	115%
Santa Barbara-San Luis Obispo	8	140	2	0	2	0.25	0.74	-66%	0.84	-70%
Kern-Tulare-Kings	37	533	38	11	27	0.73	0.85	-15%	0.82	-11%
Current Week Totals										
Traffic : Sales		23 : 1								
Per Project Average		21	0.91	0.14	0.77					
Year Ago - 08/28/2022										
Traffic : Sales		28 : 1								
% Change		1%	-15%	1%	-27%	8%	8%	14%	49%	26%

52 Weeks Comparison



Year to Date Averages Through Week 34

Graph Legend	Year	Avg. Weekly Projects	Avg. Weekly Traffic	Avg. Weekly Sales	Avg. Weekly Cancels	Avg. Project Sales	Year End Avg. Proj. Sales
■	2018	189	32	0.78	0.10	0.68	0.58
■	2019	233	30	0.70	0.10	0.60	0.59
■	2020	210	19	0.80	0.12	0.68	0.71
■	2021	165	19	0.98	0.08	0.90	0.84
■	2022	144	24	0.86	0.12	0.74	0.62
■	2023	163	23	0.95	0.10	0.85	0.65
% Change:		13%	-3%	10%	-14%	14%	36%

*Averages rounded for presentation. Change % calculated on actual numbers.



WEEKLY FINANCIAL NEWS

Financing			Market Commentary
	RATE	APR	The leg-up in financing costs has dampened the housing market recovery. Whereas homebuyers jumped on lower mortgage rates in the first few months of 2023, the recent upturn in rates is giving them pause. Existing home sales posted their second consecutive dip in July, all but reversing the uptick in housing demand that started at the beginning of the year. In addition to higher financing costs cooling demand, lower resale inventory has also fueled higher prices, further straining affordability. The median existing single-family home price in July was up year-over-year for every major region. Thus far, low resale supply and builders' use of incentives have shielded the new home market from this broader slowdown. New home sales surprised to the upside with a 4.4% jump in July, solidifying the upward march that began last fall. In our view, it is only a matter of time before higher mortgage rates depress demand for new construction as well. The average 30-year fixed mortgage rate according to Freddie Mae surged to 7.23% last week, the highest level since 2001. Builders are already responding by offering greater price cuts and other incentives to bridge the affordability gap for buyers, however, the sharp increase in rates may test their ability to do so in the future. Source: Wells Fargo Bank Weekly Economic & Financial Commentary
CONV	6.88%	7.15%	
FHA	6.75%	6.99%	
10 Yr Yield	4.22%		



South Inland Orange				Projects Participating: 12										
				Units	New Rel.	Ref'd Proj	Traffic	Wk's Sales	Wk's Cons.	Sold to Date	Sold YTD	Avg. Sale /Week	Avg. Sale /YTD	
Oaks, The	Baldwin and Sons	TSO	LFO	DTMU	304	0	TSO	0	0	0	165	3	0.39	0.09
Haven at Rancho Mission Viejo	Lennar		RMV	DTMU	89	0	2	12	1	1	33	28	0.88	0.82
Oasis at Rancho Mission Viejo	Lennar		RMV	ATMU	120	0	2	49	2	0	52	22	0.73	0.65
Pearl at Rancho Mission Viejo	Lennar		RMV	DTMU	56	3	3	10	1	0	30	28	0.80	0.82
Portico at Rancho Mission Viejo	Lennar		RMV	ATMU	132	0	1	24	2	0	87	44	1.22	1.29
Serenity at Rancho Mission Viejo	Lennar		RMV	ATMU	86	0	1	29	1	0	73	34	1.02	1.00
Evolve at Renda	Rulte		RMV	DTMU	73	0	1	5	1	1	72	31	1.00	0.91
Botanica	TRI Pointe		RMV	DTMU	61	0	2	21	4	0	41	41	1.23	1.21
Paisley	TRI Pointe		RMV	ATMU	110	0	1	16	0	0	83	45	1.07	1.32
Wildrose	TRI Pointe		RMV	DTMU	83	0	2	18	0	0	76	39	0.98	1.15
Dahlia	Truemark	TSO	RMV	DTMU	73	0	TSO	31	0	0	54	46	1.35	1.35
Saddleback Place	Truemark		MJ	ATMU	91	6	6	11	3	0	49	49	1.81	1.81
TOTALS: No. Reporting: 12		Avg. Sales: 1.08		Traffic to Sales: 15 : 1		21	226	15	2	815	410	Net: 13		

City Codes: LFO = Lake Forest, RMV = Rancho Mission Viejo, MJ = Mission Viejo

Project Types: AAAT= Active Adult ATT, AASF= Active Adult SFD, ATMU= Attached Move-up , ATST= Attached Starter , ATT= Single Family Attached , COHT=Condo/Hotel ,CONV=Conversion ,DTMU=Detached Move-up ,DTST=Detached Starter ,HIGH=High Rise , LOFT= Loft , MIDR= Mid-Rise , RWHS=Row Houses , SFD= Single Family Detached
 Abbreviations: SO= Sold Out, TSO= Temporarily Sold Out

Resale Pricing

The following table shows historical resale data for more recently built homes (2015 and newer) in the communities of Ladera Ranch, Lake Forest, Mission Viejo, Rancho Mission Viejo, and Rancho Santa Margarita since April 1, 2023. We restricted our search to lot sizes with less than 5,000 square feet. It is noted, these search parameters resulted in 89 detached, single-family home resales; therefore, for this product type only, the table on the following page show detached, single-family homes that sold since July 1, 2023 (no other search parameters changed).



Resales							
Address	Subtype	Sale Date	Living Area (SF)	Sale Price	Sale Price /SF	Year Built	Lot Size
136 Listo Street	Condominium	7/24/2023	1,707	\$1,000,000	\$586	2015	
299 Alienta Lane	Condominium	4/4/2023	707	\$485,000	\$686	2018	
264 Alienta Lane	Condominium	5/31/2023	1,182	\$700,000	\$592	2018	
1 Patria	Condominium	4/10/2023	1,425	\$725,000	\$509	2017	
105 Patria	Condominium	6/15/2023	1,344	\$735,000	\$547	2016	
124 Jaripol Circle	Condominium	7/19/2023	1,318	\$745,000	\$565	2017	
102 Alienta Lane	Condominium	6/23/2023	1,216	\$760,000	\$625	2018	
167 Patria	Condominium	5/5/2023	1,428	\$765,000	\$536	2017	
175 Alienta Lane	Condominium	5/9/2023	1,395	\$840,000	\$602	2020	
81 Promesa Avenue	Condominium	6/20/2023	2,424	\$1,060,000	\$437	2017	
163 Garcilla Drive	Condominium	6/30/2023	1,729	\$1,175,000	\$680	2018	
566 Catalonia	Condominium	7/5/2023	2,467	\$1,280,000	\$519	2021	
505 Deeann	Condominium	4/6/2023	1,761	\$920,000	\$522	2019	
Total Sales	Condominium	13	1,546 (avg.)	\$860,769 (avg.)	\$570 (avg.)	2018 (avg.)	
154 Natal Road	Townhome	4/5/2023	1,585	\$775,000	\$489	2019	
152 Jaripol Circle	Townhome	6/20/2023	1,617	\$869,000	\$537	2017	
3781 Bellver #13	Townhome	6/20/2023	1,711	\$1,000,000	\$584	2020	
Total Sales	Townhome	3	1,638 (avg.)	\$881,333 (avg.)	\$537 (avg.)	2019 (avg.)	
520 Escenico	Single-Family Detached	7/6/2023	1,969	\$1,220,000	\$620	2017	2,911
23 Morning Glory	Single-Family Detached	7/14/2023	2,252	\$1,540,000	\$684	2015	4,743
40 Forster	Single-Family Detached	7/26/2023	2,547	\$1,615,000	\$634	2016	3,994
172 Luneta Lane	Single-Family Detached	7/18/2023	1,569	\$1,049,975	\$669	2019	4,840
43 Lomada Street	Single-Family Detached	8/11/2023	2,121	\$1,150,000	\$542	2016	2,729
30 Ocaso Street	Single-Family Detached	7/19/2023	2,018	\$1,180,000	\$585	2018	3,391
54 Puesto Road	Single-Family Detached	7/21/2023	1,688	\$1,190,000	\$705	2016	4,042
11 Pascuas Place	Single-Family Detached	7/24/2023	2,144	\$1,195,000	\$557	2019	3,337
76 Vasto Street	Single-Family Detached	7/26/2023	2,464	\$1,200,000	\$487	2017	2,609
37 Alienta Lane	Single-Family Detached	7/19/2023	2,307	\$1,244,000	\$539	2018	3,524
51 Vasto Street	Single-Family Detached	7/21/2023	2,615	\$1,298,925	\$497	2017	3,059
71 Cerrero Court	Single-Family Detached	7/14/2023	1,659	\$1,485,000	\$895	2017	4,502
25 Jaramo Street	Single-Family Detached	7/12/2023	2,910	\$1,535,000	\$527	2019	4,231
62 Cerrero Court	Single-Family Detached	8/7/2023	2,184	\$1,550,000	\$710	2015	4,885
25 Sedoso Court	Single-Family Detached	8/11/2023	2,880	\$1,680,000	\$583	2018	4,526
131 Primrose Drive	Single-Family Detached	8/2/2023	1,825	\$1,175,000	\$644	2016	2,227
223 Primrose Drive	Single-Family Detached	7/5/2023	1,825	\$1,260,000	\$690	2015	2,718
1871 Aliso Canyon Drive	Single-Family Detached	7/12/2023	3,099	\$1,600,000	\$516	2020	4,760
103 Encantador	Single-Family Detached	7/20/2023	2,198	\$1,325,000	\$603	2018	3,384
639 Athos	Single-Family Detached	8/9/2023	2,754	\$1,635,000	\$594	2020	3,290
Total Sales	Single-Family Detached	20	2,251 (avg.)	\$1,356,395 (avg.)	\$614 (avg.)	2017 (avg.)	3,685 (avg.)

Ability to Pay

The subject includes six product lines and four different styles of product; price points vary by product type. In this section, we will examine the ability to pay among prospective buyers for the lowest and highest representative price point within the appraised properties, or \$520,000 consistent with Plan 1 in Mariposa (attached back to back townhomes, 930 SF) and \$1,100,000 consistent with Plan 4 in

Bloom (detached alley, 2,150 SF). 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 7.000%, 360 monthly payments, and a 40% ratio for the housing as a percent of monthly income (inclusive of principal, interest, all taxes and insurance). Property tax payments are accounted for in the analysis (including direct charges), as well as homeowner's insurance. The following tables show the estimate of the annual household income that would be required to afford homes priced at the representative price point.

Income Required		
Home Price	\$520,000	\$1,100,000
Loan % of Price (Loan to Value)	80%	80%
Loan Amount	\$416,000	\$880,000
Interest Rate	7.000%	7.000%
Mortgage Payment	\$2,768	\$5,855
Ad Valorem Taxes	\$455	\$943
CFD No. 2023-1	\$482	\$987
Property Insurance	\$108	\$229
Total Monthly Obligation	\$3,813	\$8,014
Mortgage Payment % of Income	40%	40%
Monthly Income	\$9,532	\$20,036
Annual Income	\$114,383	\$240,431

Generally, interest rates have an inverse relationship to the affordability of a home. In short, all else being equal, higher interest rates lower the price point for buyers based on income. Over the past several years, interest rates have remained historically low, often at or below 3.0%. Current mortgage interest rates more closely resemble historic rates and for the most part the home buyer pool appears to recognize that the 3% mortgage rate environment was the anomaly and rates around the 7% level are most likely into the foreseeable future.

Conversations with sales agents in multiple new home projects noted there was a slowing in demand for new residential homes in the second half of 2022 and early 2023. The combination of historically high new home prices and rising interest rates priced some buyers out of entry-level (lower-priced) homes. While some projects were affected more than others, coastal locations and limited supply submarkets fared better than emerging submarkets with a concentration of competing projects, predominately due to inventory levels. Continued high inflation forced prospective homeowners to account for other costs (like groceries, gas, etc.) over buying a new home at a higher interest rate. Homebuilders reported turmoil from pending buyers dropping out of contract because of rising interest rates. Most homebuilders reported the pace of sales slowed from the historic highs. Further, homebuilders began offering concessions in the form of buying down interest rates and discounted options, instead of decreasing their base prices. In some markets, there was enough downward pressure on the market for homebuilders to offer concessions as well as drop their base prices.

Prior to mid-2022, homebuilders were able to sell homes faster than they were able to construct them, but with the rising interest rates this has since moderated pace of sales to a level more in line with builders' ability to deliver. The recent increases in interest rates impacted the pace of sales as well as pricing in most markets. However, there are signs the residential market is beginning to

stabilize. Markets in Spring 2023 have generally been stronger than expected. Homebuyers that previously were waiting on the sidelines either in anticipation of decreasing home prices, or due to interest rate volatility, are beginning to adjust their budgets to the new higher interest rates as home pricing stabilizes. In addition, low inventory and a tight resale market make new construction more attractive. According to market participants in the spring, absorption rates have remained steady or increased slightly with some homebuilders having small increases in base prices from the First Quarter 2023.

We have also obtained income data from Spotlight Analytics, for a 10-mile radius surrounding the subject property, which is considered representative of typical buyers for the subject property. In the following tables 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 points within each income bracket.

Household Ability \$520,000

Household Income	Households	Percent of Households	Percent Able to Pay	Households	Households Able to Pay
Current Year Households, Household Income < \$15,000	8,283	4.5%	0.0%	0	0.0%
Current Year Households, Household Income \$15,000 - \$24,999	6,839	3.7%	0.0%	0	0.0%
Current Year Households, Household Income \$25,000 - \$34,999	7,620	4.1%	0.0%	0	0.0%
Current Year Households, Household Income \$35,000 - \$49,999	10,924	5.9%	0.0%	0	0.0%
Current Year Households, Household Income \$50,000 - \$74,999	19,258	10.4%	0.0%	0	0.0%
Current Year Households, Household Income \$75,000 - \$99,999	19,491	10.5%	0.0%	0	0.0%
Current Year Households, Household Income \$100,000 - \$124,999	19,057	10.3%	42.5%	8,093	4.4%
Current Year Households, Household Income \$125,000 - \$149,999	16,676	9.0%	100.0%	16,676	9.0%
Current Year Households, Household Income \$150,000 - \$199,999	24,251	13.1%	100.0%	24,251	13.1%
Current Year Households, Household Income \$200,000 - \$249,999	15,167	8.2%	100.0%	15,167	8.2%
Current Year Households, Household Income \$250,000 - \$499,999	20,927	11.3%	100.0%	20,927	11.3%
Current Year Households, Household Income \$500,000+	<u>17,051</u>	<u>9.2%</u>	100.0%	<u>17,051</u>	<u>9.2%</u>
	185,544	100.0%		102,165	55.1%

Household Ability \$1,100,000

Household Income	Households	Percent of Households	Percent Able to Pay	Households	Households Able to Pay
Current Year Households, Household Income < \$15,000	8,283	4.5%	0.0%	0	0.0%
Current Year Households, Household Income \$15,000 - \$24,999	6,839	3.7%	0.0%	0	0.0%
Current Year Households, Household Income \$25,000 - \$34,999	7,620	4.1%	0.0%	0	0.0%
Current Year Households, Household Income \$35,000 - \$49,999	10,924	5.9%	0.0%	0	0.0%
Current Year Households, Household Income \$50,000 - \$74,999	19,258	10.4%	0.0%	0	0.0%
Current Year Households, Household Income \$75,000 - \$99,999	19,491	10.5%	0.0%	0	0.0%
Current Year Households, Household Income \$100,000 - \$124,999	19,057	10.3%	0.0%	0	0.0%
Current Year Households, Household Income \$125,000 - \$149,999	16,676	9.0%	0.0%	0	0.0%
Current Year Households, Household Income \$150,000 - \$199,999	24,251	13.1%	0.0%	0	0.0%
Current Year Households, Household Income \$200,000 - \$249,999	15,167	8.2%	19.1%	2,899	1.6%
Current Year Households, Household Income \$250,000 - \$499,999	20,927	11.3%	100.0%	20,927	11.3%
Current Year Households, Household Income \$500,000+	<u>17,051</u>	<u>9.2%</u>	100.0%	<u>17,051</u>	<u>9.2%</u>
	185,544	100.0%		40,877	22.0%

Conclusions

Demand for homes in the subject's market area is considered to be moderating somewhat compared to the expansion period as indicated by the overall trend of building permit activity, new home sales prices, and activity in recent quarters as well as the sales activity within the larger Rienda master

planned community. Even with some reduction in the number of new buyers, due to rising interest rates, the remaining pool of buyers (demand) for the subject's product lines appears to be greater than the supply.

Property Analysis

Land Description and Analysis

Location

The property is located on the north side of Cow Camp Road approximately one mile east of its intersection with Los Patrones Parkway, within an unincorporated area of South Orange County identified as Rancho Mission Viejo. Rancho Mission Viejo is an active 23,000-acre ranch and farm, habitat reserve and community.

Shape and Dimensions

Overall, the boundaries of the subject are irregular in shape, but are not so irregular as to inhibit development of the property commensurate with the underlying land use designations. Site utility based on shape is average.

Topography

Overall, the topography within the boundaries of the subject is rolling; however, each partially finished lot will be level. The topography does not result in any particular development limitations.

Off-site Improvements

Off-site improvements currently consist of paved streets, as well as curbs, gutters, sidewalks, and streetlights. According to the Master Developer, the remaining public improvements to be completed include Gibby Road and Bridge, a flood control basin, a pump station, and a water-quality basin.

On-site Improvements

Development of the property has begun. Remaining on-site improvements include storm drain, wet and dry utilities, streets, landscape/hardscape, pocket parks, etc.

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	06059C0465J
Date	December 3, 2009
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No

Ranch Plan Fire Protection Program

The Master Developer has worked closely with the Orange County Fire Authority and the County of Orange on a three-party agreement that specifies:

- Construction Code Requirements;
- Fuel Modification Zones based on sophisticated research and fire behavior modeling;
- Landscaping and Plant Species Restrictions;
- Emergency Vehicle Access; and
- Detailing Review at Multiple Levels of Planning, Continually Updated per State Codes.

According to information provided by the Master Developer, other wildfire risk mitigations implemented by Rancho Mission Viejo include perpetual funding, maintenance, and enforcement through an HOA; appropriate and reliable fire access and evacuation routes; adequate water supplies; residential fire sprinklers; underground project utilities; community design and siting to minimize fire risk (e.g., slope setbacks); and new fire stations, fire equipment and/or funding for firefighters to provide for a rapid initial fire attack where it not previously exist.

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.

Seismic Hazards

According to the Seismic Safety Commission, 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. The subject site is located within Zone 4, which is considered to be the highest risk zone in California. 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. It should be noted, in general, a number of faults are located in Southern California and throughout California; thus, the area is subject to severe ground shaking during earthquakes. Competitive sites face similar seismic risk.

Ground Stability

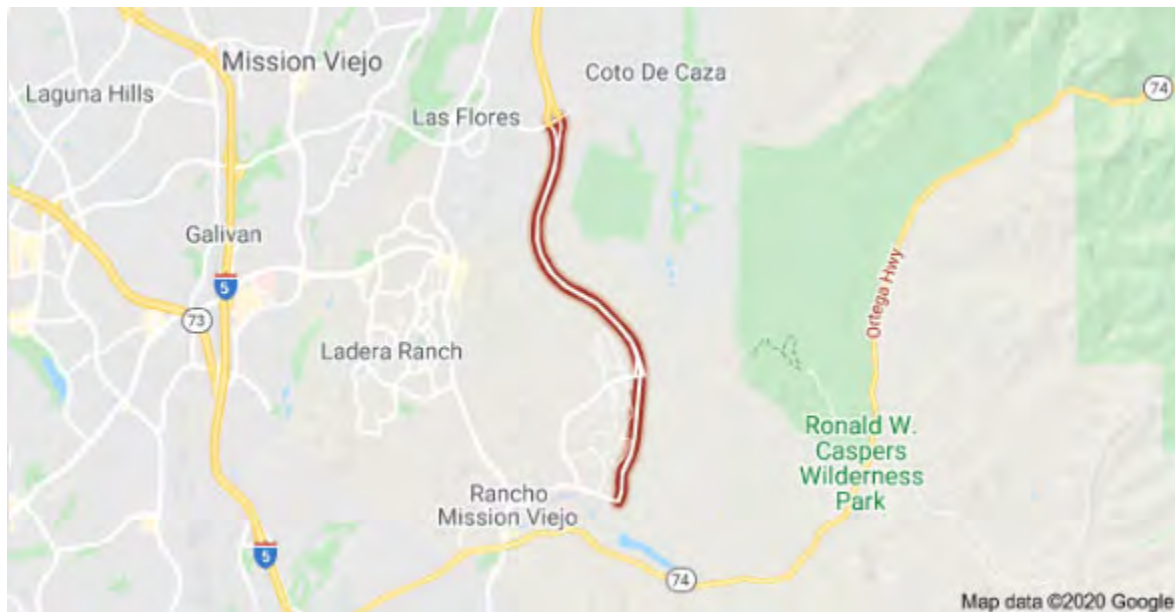
A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject’s soil bearing capacity is sufficient to support the existing improvements.

Streets, Access and Frontage

Details pertaining to street access and frontage are provided in the following table.

Streets, Access and Frontage		
Street	Cow Camp	Interior Streets
Frontage Feet	4,850±	N/Ap
Paving	Yes	Yes
Curbs	Yes	Yes
Sidewalks	Yes	Yes
Lanes	2 way, 3 lanes each way	2 way, 1 lane each way
Direction of Traffic	East-West	N/Ap
Condition	Average	N/Ap
Traffic Levels	Moderate	Low
Signals/Traffic Control	Turn lane	Stop signs
Access/Curb Cuts	Average	Average
Visibility	Average	Average

The recent completion of the extension of Los Patrones Parkway to the west of the subject provides access from Cow Camp Road to Oso Parkway to the north, with further access to the 241 toll road.



The southern segment of Los Patrones Parkway opened to traffic in Rancho Mission Viejo in October 2019. The completed project extended the parkway about a mile and a half from Chiquita Canyon Drive to Cow Camp Road (adjacent to the subject property). An article from the Orange County Register, published on October 18, 2019, summarizes the larger Los Patrones Parkway and Oso Parkway Bridge project below.

The first phase of the project from Oso Parkway (to the north) to Chiquita Canyon Drive was completed in September 2018. With the extension finished, the 4.5-mile, four-lane public road connects Rancho Mission Viejo residents, especially those in the Esencia neighborhoods, to Oso Parkway and the 241 toll road.

The Transportation Corridor Agencies (TCA) and Orange County Public Works is overseeing a \$30 million project to turn Oso Parkway into a bridge and to connect the 241 toll road directly to Los Patrones Parkway.

The entire stretch of Los Patrones Parkway cost \$98 million to construct, with funding through a partnership between Rancho Mission Viejo, the County and the Transportation Corridor Agencies.

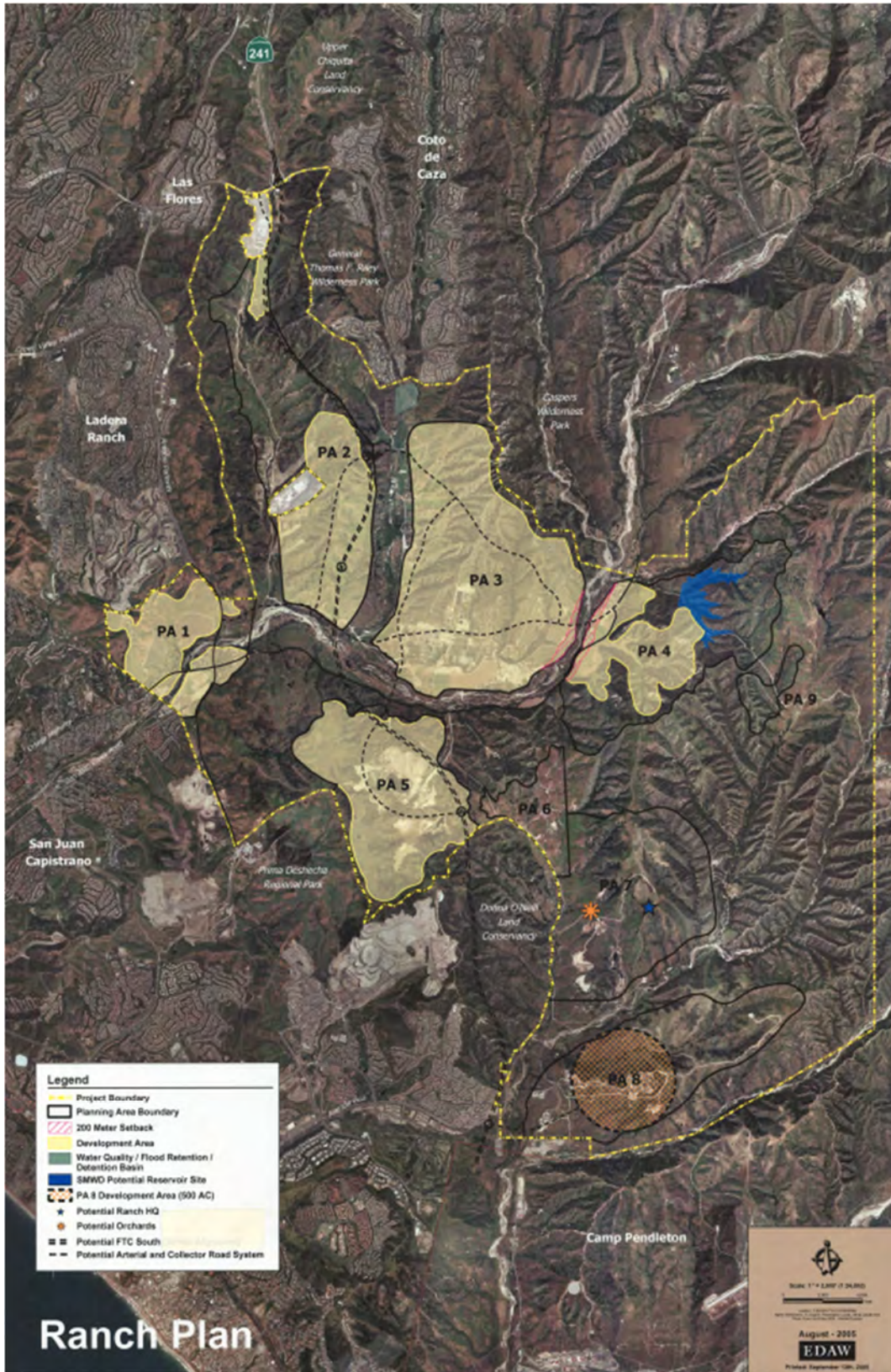
Utilities

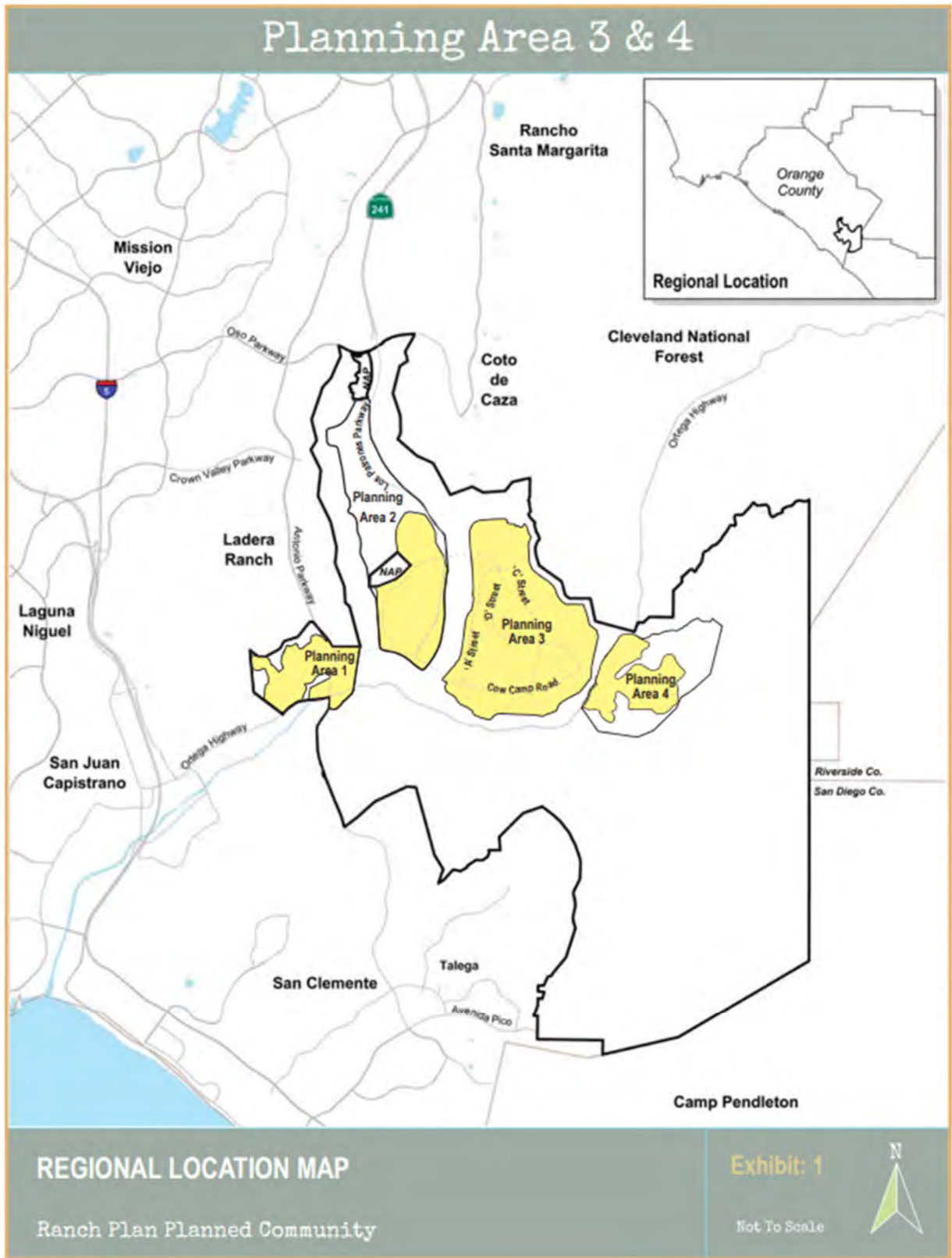
The availability of utilities to the subject is summarized in the following table.

Utilities	
Service	Provider
Water	Santa Margarita Water District (SMWD)
Sewer	Santa Margarita Water District (SMWD)
Electricity	San Diego Gas and Electric (SDG&E)
Natural Gas	San Diego Gas and Electric (SDG&E)
Local Phone	Various providers

Zoning

A summary of land uses comprising the Planning Areas 3 and 4 of the Ranch Plan Specific Plan is provided in the following table from the PA3-4 Master Area Plan, dated September 11, 2019. On the following page are two maps identifying PA3-4 and the subareas of PA3-4.





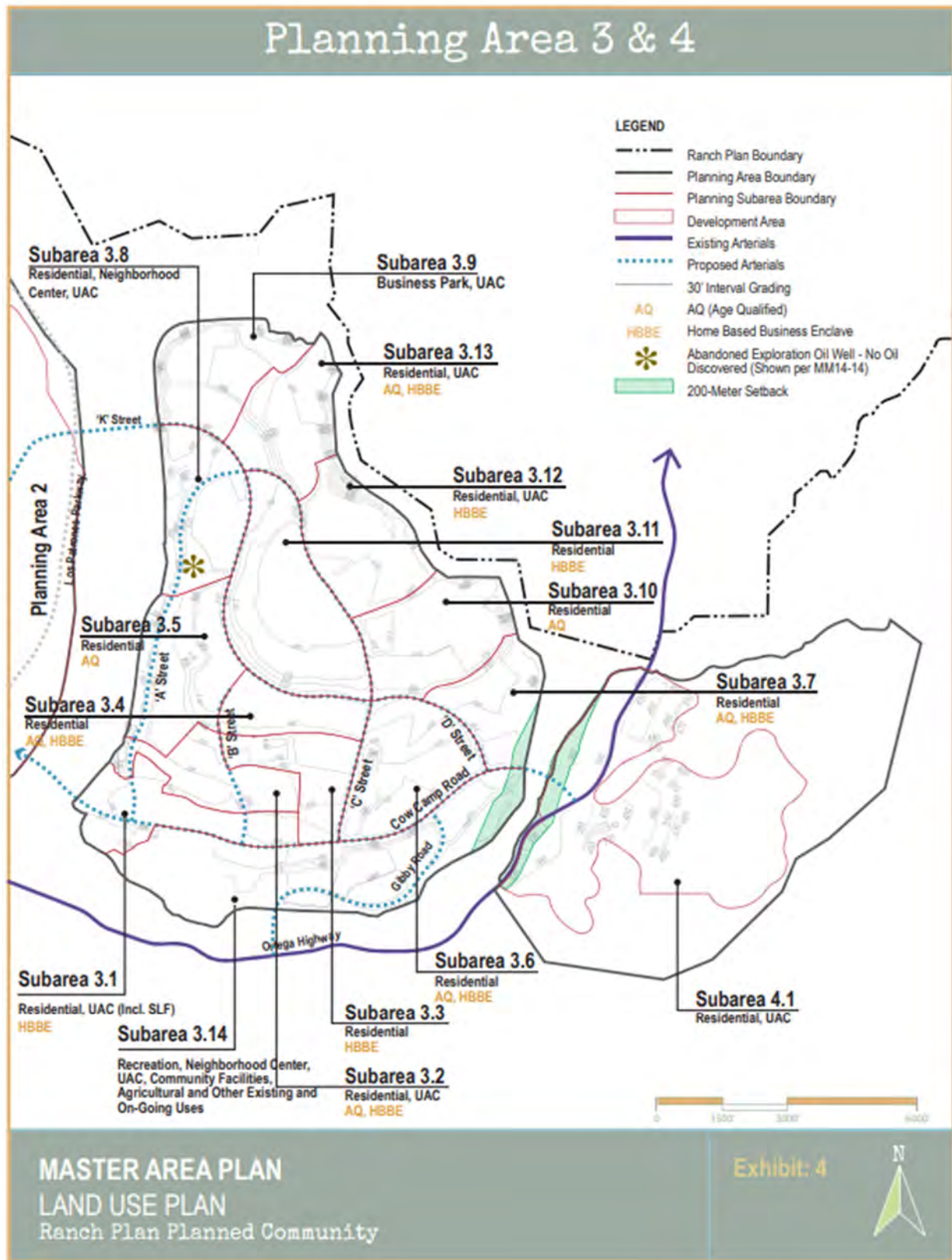
Planning Area 3 & 4													
Planning Area	Development Use										Open Space Use	Planning Area Totals	
	Residential			Urban Activity Center (UAC)		Neighborhood Center		Business Park		Golf Resort			
	Gross Acres	Maximum Dwelling Units	Maximum Non-Residential Square Footage (000)	Gross Acres	Maximum Square Footage of Non-Residential Uses (000)	Gross Acres	Maximum Square Footage (000)	Gross Acres	Maximum Square Footage (000)	Gross Acres			Gross Acres
Planning Area 1	446	1,247	110	5	30	13	95				464	240	704
Planning Area 2	806	2,760	15	45	495	5	30				856	824	1,680
Planning Areas 3 & 4	2,396	7,500	120	201	2,830	19	145	50	305		2,686	647	3,313
Planning Areas 5 & 8	1,705	2,493				13	220	30	805	25	1,773	3,010	4,783
Planning Area 10												12,203	12,203
Subtotal	5,353	14,000	245	251	3,355	50	490	80	1,110	25	5,759	16,924	22,683
Total													

Revised July 26, 2006, Per Planning Commission Resolution # 06-05.
 Revised February 23, 2011, per PA110003, PA110004, PA110005, and PA110006.
 Revised March 27, 2013, per Planning Commission
 Revised February 26, 2015, per Planning Commission
 Revised September 11, 2019, per Planning Commission

MASTER AREA PLAN
PC STATISTICAL TABLE REVISION (Per Ranch Plan Planned Community Program Text Section (A.4.b))
 Ranch Plan Planned Community

PA 3 & 4 MASTER AREA PLAN
Table 1





Planning Area 3 & 4																			
Planning Area	Development Use															Open Space Use	Planning Area Totals		
	Residential										Urban Activity Center (UAC)	Neighborhood Center		Business Park				Golf Resort Gross Acreage	
	Gross Acres	Net Acres	Maximum Dwelling Units	Conventional Single-Family Detached Dwellings	Planned Concept Detached Dwellings	Multiple-Family Dwellings	Estate Lots	Age Qualified Dwelling Units	Maximum Non-Residential Square Footage (000)	Parkland Gross Acreage		Gross Acres	Maximum Square Footage (000)	Gross Acres	Maximum Square Footage (000)				Gross Acres
Planning Areas 3 & 4	2,396	1,372	7,500	1,415	4,000	2,085	2,865	120	95	201	2,830	19	145	50	305	0	2,666	647	3,313
Subarea 3.1	105	76	775	0	520	255	0	120	5	13	10						118		
Subarea 3.2	102	74	805	125	435	245	130		5								102		
Subarea 3.3	98	71	430	130	100	200	0		10								98		
Subarea 3.4	80	58	320	140	125	55	320		5								80		
Subarea 3.5	163	119	655	165	435	55	405										163		
Subarea 3.6	168	122	725	50	405	270	280		5								168		
Subarea 3.7	106	77	395	50	160	185	160		5								106		
Subarea 3.8	108	79	400		160	240	240		5	25	405	14	100				147		
Subarea 3.9	14									82	1,015			50	305		146		
Subarea 3.10	169	123	825	200	625		825		5								169		
Subarea 3.11	235	171	820	200	400	220			20	8	210						243		
Subarea 3.12	117	85	545	80	305	160				40	460						157		
Subarea 3.13	133	97	305	50	155	100	305		5								133		
Subarea 3.14	320									20	8	30	5	45			333		
Subarea 4.1	478	220	500	225	175	100	200		5	25	700						503		

MASTER AREA PLAN
 DEVELOPMENT TABLE (Per Ranch Plan Planned Community Program Text Section II.B.3.a. and II.B.3.b.)
 Ranch Plan Planned Community

PA3 & 4 MASTER AREA PLAN
 Table 2

The land use plan for Planning Areas 3 and 4 is composed of a majority of residential uses with urban activity center, neighborhood center, public facilities, recreation and open space. There are a maximum of 7,500 dwelling units, 201 gross acres of Urban Activity Center uses and 19 acres of Neighborhood Center uses proposed within the 2,666 gross acre development use portion of Planning Areas 3 and 4. The remainder of the 3,313 gross acre PA3-4 would be 647 acres of permanent open space.

More specifically, the subject property is located within a portion of Subarea 3.3, details related to this entire Subarea is provided below:

Subarea 3.3

The 98-gross-acre Subarea 3.3 is located in the south-central portion of Planning Area 3. Cow Camp Road would traverse the southerly boundary of the subarea and “C” Street would traverse the easterly boundary of the subarea. The following land uses are proposed:

- 98 gross acres of residential area, allowing a total of up to 430 dwelling units, none of which are planned as age-qualified units. This residential area may also include, but not be limited,



to the following uses allowed by Section III.A (Residential) of the Ranch Plan Planned Community Program Text:

- A potential affordable housing site of up to 6-gross-acres in compliance with the Affordable Housing Implementation Agreement (AHIA).
- A potential Home Based Business Enclave (HBBE).
- Recreational Uses (including, but not limited to):
 - Private recreational uses, including but not limited to sports fields, sports courts, tot lots, and pedestrian and bike trails, swimming pools, and clubhouses
 - Up to 10 acres of public parkland
- Community Facility uses (including, but not limited to):
 - A K-8 public school
 - Private clubs and recreational facilities to be owned and operated by the Master Maintenance Corporation, including serving alcoholic beverages
 - A wireless facilities tower up to 70 feet in height

To the best of our knowledge, there are no pending or prospective zoning changes. It appears that the property as proposed conforms with zoning requirements.

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.

Other Land Use Regulations

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

Entitlements

A summary of the current legal (entitlements) and physical status of the appraised properties is shown in the following table.

Entitlements									
Planning Area	Market Segment	Product Type	Typical Lot Size	No. of Units	Market Entry (Commence Sales)	Development Status			
						Units Under Construction	Finished Lots	Partially Improved Lots	Unimproved Lots
MR-6	All Age	Attached Back to Back Townhomes		106	Nov-23			106	
MR-8	All Age	Attached Row Townhomes		93	Nov-23			93	
MR-11	All Age	Detached Duplex		82	Nov-23			82	
MR-24	All Age	Detached Alley	1,260	69	Nov-23			69	
MR-25	All Age	Detached Alley	2,150	82	Nov-23			82	
MR-28	All Age	Detached Alley	1,885	82	Nov-23			82	
Total				514		0	0	514	0

Easements, Encroachments and Restrictions

We have reviewed four preliminary title reports prepared by First American Title Company dated December 15, 2022 or January 20, 2023. The reports identify exceptions to title, which include various utility and access easements that are typical for a property of this type. Such exceptions would not appear to have an adverse effect on value. Our valuation assumes no adverse impacts from

easements, encroachments or restrictions and further assumes that the subject has clear and marketable title.

Site Development Costs

Per the cost budgets provided by each homebuilder, site development costs are summarized as follows:

Site Development Cost Summary						
Planning Area	Builder	Market Segment / Product Type	No. of Units	Total Site Development Costs	Current Condition	Remaining Site Development Costs
MR-6	Lennar	All Age	106	\$ 4,646,711.00	Partially-Improved Lots	\$ 654,820.75
		Attached Back to Back Townhomes		\$43,837 /lot		\$6,178 /lot
MR-8	Trumark	All Age	93	\$ 13,234,996.00	Partially-Improved Lots	\$ 4,677,215.75
		Attached Row Townhomes		\$142,312 /lot		\$50,293 /lot
MR-11	Pulte	All Age SFD - Duplex	82	\$ 5,835,284.00 \$71,162 /lot	Partially-Improved Lots	\$ 2,756,102.95 \$33,611 /lot
MR-24	Lennar	All Age SFD Alley (30' x 42')	69	\$ 5,021,770.00 \$72,779 /lot	Partially-Improved Lots	\$ 483,664.95 \$7,010 /lot
MR-25	Shea	All Age SFD Alley (43' x 50')	82	\$ 5,979,162.00 \$72,917 /lot	Partially-Improved Lots	\$ 3,849,651.75 \$46,947 /lot
MR-28	TriPointe	All Age SFD Alley (31' - 34' x 58')	82	\$ 5,241,898.00 \$63,926 /lot	Partially-Improved Lots	\$ 3,446,095.55 \$42,026 /lot

Remaining Off-Site Cost Obligations

According to the Master Developer, construction of off-site improvements as of the effective appraisal date (August 31, 2023) are detailed in the following table.

Off-Site Cost Obligations

Improvements	Budget	Spent to Date	Remaining Costs	CFD Eligible Costs	Remaining Non CFD Eligible Costs
Major Infrastructure					
Cow Camp Road	\$ 9,947,000	\$ 9,947,000	\$ -	\$ 9,947,000	\$ -
Gibby Bridge and Roadway	39,892,000	34,966,930	4,925,070	39,892,000	-
County Flood Control Basin	16,805,000	-	16,805,000	16,805,000	-
Zone B Pump Station	4,250,000	97,800	4,152,200	4,250,000	-
Water Quality Basin	1,823,000	-	1,823,000	1,823,000	-
Total Major Infrastructure	\$ 72,717,000	\$ 45,011,730	\$ 27,705,270	\$ 72,717,000	\$ -
Development Costs					
Design/Engineering/Fees/Bonds (Project Soft Costs)	\$ 3,762,739	\$ 2,475,112	\$ 1,287,627	\$ -	\$ 1,287,627
Grading/Storm Drain	15,814,748	13,451,703	2,363,045	2,847,547	(484,502)
Streets/Wet + Dry Utilities	4,787,624	2,305,224	2,482,400	4,840,453	-
Landscape/Hardscape	4,469,631	2,034,157	2,435,474	-	2,435,474
Parks/Trails	2,041,685	1,139,910	901,775	-	901,775
Amenities/Clubhouses	4,996,875	880,479	4,116,396	-	4,116,396
Indirect Construction Costs	-	-	-	-	-
Impact Fees					
OCFA (Fire Station)	5,800,000	5,800,000	-	5,078,000	-
Impact Fees (TCA, SMWD, Library)	5,613,862	794,328	4,819,534	-	4,819,534
Total Development Costs	\$ 47,287,164	\$ 28,880,913	\$ 18,406,251	\$ 12,766,000	\$ 13,076,304
TCA Impact Fee Credit					\$ (3,011,180)
Grand Total	\$ 120,004,164	\$ 73,892,643	\$ 46,111,521	\$ 85,483,000	\$ 10,065,124

Total remaining off-site cost obligations associated with Planning Area 3.2B/Phase 2B equate to \$13,076,304, net of estimated CFD No. 2023-1 County of Orange Bond Proceeds. In addition, the Master Developer has a fee credit agreement with the County for the TCA Impact Fees with the County, in which the credit balance more than off-sets the remaining TCA Impact Fees of \$3,011,180 as of the effective appraisal date.

The Master Developer is responsible for the remaining costs a contractual obligation (\$10,065,124), net of CFD eligible infrastructure costs and impact fee credits. However, for valuation purposes and given the fact the majority of the District properties are now held by homebuilders, it is appropriate to reflect these remaining off-site cost obligations as a deduction across the total 514 units, as these

costs benefit all the units appraised. The pro-rata deduction for the remaining off-site cost obligations is approximately \$19,581.95 per unit (\$10,065,124 divided by 514 total units).

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 development. We are not aware of any other particular restrictions on development.

Aerial Map



Proposed Improvements Description

The table on the following page provides a summary of the proposed projects within The Village of Rienda master planned community comprising Phase 2B.

Interior finishes vary amongst each of the builders/projects, but are generally consistent with market expectations and offer a range of options and upgrades to prospective buyers.

It is noted the subject properties are encumbered by a Homeowner's Association (HOA) that will be responsible for maintenance of the private roads and common areas throughout the project. The dues have not yet been determined.

Improvement Description										
Planning Area / Project Name	Builder	Market Segment / Product Type	No. of Units	Market Entry (Commence Sales)	Floor Plan	Home Size (SF)	Empire Economics Recommended Price (July 2023)*	Builder Base Price as of July 2023**	Builder Price per SF	HOA
Planning Area 3										
MR-6 Mariposa	Lennar	All Age Attached Back to Back Townhomes	106	Nov-23	Plan 1	922	\$520,000	\$520,000	\$563.99	N/Av
					Plan 2	1,371	\$695,000	\$695,000	\$506.93	
					Plan 3	1,482	\$710,000	\$710,000	\$479.08	
					Plan 4	1,605	\$730,000	\$730,000	\$454.83	
					Plan 4x	1,663	\$765,000	\$765,000	\$460.01	
MR-8 Willow	Trumark	All Age Attached Row Townhomes	93	Nov-23	Plan 1	923	\$557,682	\$579,990	\$628.37	N/Av
					Plan 2	1,272	\$691,241	\$694,990	\$546.38	
					Plan 3	1,540	\$788,990	\$788,990	\$512.33	
MR-11 Juniper	Pulte	All Age SFD - Duplex	82	Nov-23	Plan 1	1,142	\$641,491	\$690,000	\$604.20	N/Av
					Plan 2	1,230	\$675,168	\$710,000	\$577.24	
					Plan 3	1,525	\$750,000	\$750,000	\$491.80	
					Plan 4	1,608	\$800,000	\$800,000	\$497.51	
MR-24 Flora	Lennar	All Age SFD Alley (30' x 42')	69	Nov-23	Plan 1	1,397	\$760,415	\$820,000	\$586.97	N/Av
					Plan 2	1,597	\$838,499	\$900,000	\$563.56	
					Plan 3	1,818	\$924,782	\$945,000	\$519.80	
MR-25 Bloom	Shea	All Age SFD Alley (43' x 50')	82	Nov-23	Plan 1	1,753	\$899,405	\$990,000	\$564.75	N/Av
					Plan 2	1,805	\$919,707	\$1,010,000	\$559.56	
					Plan 3	2,017	\$1,002,476	\$1,060,000	\$525.53	
					Plan 4	2,150	\$1,054,402	\$1,100,000	\$511.63	
MR-28 Heatherly	TriPointe	All Age SFD Alley (31' - 34' x 58')	82	Nov-23	Plan 1	1,691	\$875,199	\$893,000	\$528.09	N/Av
					Plan 2	2,003	\$975,000	\$975,000	\$486.77	
					Plan 3	2,182	\$1,043,000	\$1,043,000	\$478.00	

*Source: "DRAFT" Price Point *Review* Study Addendum 1, prepared by Empire Economics, dated August 24, 2023

**Source: Merchant Builder Questionnaires











Drone Photos

The following drone photos were provided by the Master Developer which show current builder site development/in-tract progress (taken September 5, 2023).



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.

Ad Valorem Taxes

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the remaining property improvements are completed and in consideration of the definition of market value employed in this appraisal, which assumes a sale of the appraised properties. According to the Orange County Treasurer-Tax Collector's Office, the appraised properties have a cumulative annual tax rate of 1.01041% based on assessed value.

Special Taxes

All of the appraised properties are encumbered by CFD No. 2023-1. The special tax amounts applicable to the CFD are provided in the tables on the following pages. Additionally, direct charges of \$17 per year exist for each unit and will be considered in our analysis.

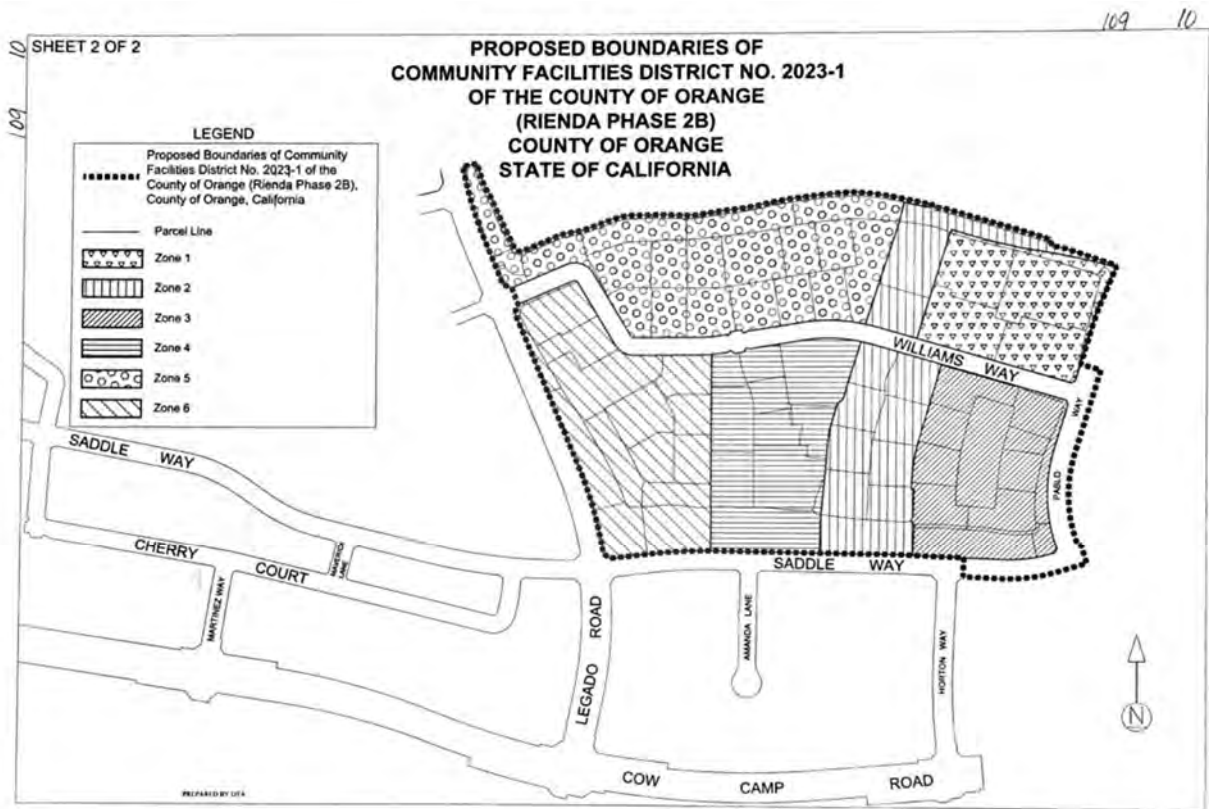
County of Orange CFD No. 2023-1 (Rienda Phase 2B)

			Fiscal Year 2023-24
Zone	Units	Residential Floor Area	Special Tax
1	40	Attached Flats (> 1,600 SF)	\$7,207.00
1	0	Attached Flats (1,501 - 1,600 SF)	\$7,040.00
1	30	Attached Flats (1,401 - 1,500 SF)	\$7,009.00
1	20	Attached Flats (1,301 - 1,400 SF)	\$6,861.00
1	0	Attached Flats (1,201 - 1,300 SF)	\$6,205.00
1	16	Attached Flats (< 1,201 SF)	\$5,129.00
2	40	Attached Row Townhomes (> 1,400 SF)	\$7,791.00
2	40	Attached Row Townhomes (1,101 - 1,400 SF)	\$6,823.00
2	13	Attached Row Townhomes (< 1,101 SF)	\$5,502.00
3	20	Attached Duplex (> 1,600 SF)	\$7,900.00
3	21	Attached Duplex (1,401 - 1,600 SF)	\$7,405.00
3	21	Attached Duplex (1,201 - 1,400 SF)	\$6,664.00
3	20	Attached Duplex (< 1,201 SF)	\$6,331.00
4	21	Detached Stub Alley Small Lot (> 1,700 SF)	\$9,135.00
4	22	Detached Stub Alley Small Lot (1,501 - 1,700 SF)	\$8,281.00
4	26	Detached Stub Alley Small Lot (< 1,501 SF)	\$7,508.00
5	28	Detached Stub Alley Large Lot (> 1,900 SF)	\$9,903.00
5	54	Detached Stub Alley Large Lot (1,701 - 1,900 SF)	\$8,883.00
5	0	Detached Stub Alley Large Lot (< 1,701 SF)	\$8,112.00
6	55	Detached - Traditional (> 2,000 SF)	\$9,631.00
6	0	Detached - Traditional (1,800 - 2,000 SF)	\$8,992.00
6	27	Detached - Traditional (< 1,801 SF)	\$8,644.00

Source: ETR Analysis CFD No. 2023-1, prepared by DTA and dated 8/24/2023

According to the Rate and Method of Apportionment, on each July 1, beginning on July 1, 2024, these special taxes are also subject to an annual increase of 2%.

The delineation of Tax Zones within the boundaries of CFD No. 2023-1 are shown as follows:



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

Legally Permissible

The subject is part of the third phase of development within Rancho Mission Viejo and identified in The Ranch Plan Specific Plan as a portion of Planning Area 3 (PA-3), consisting of residential development areas.

To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. The Ranch Specific Plan has undergone extensive planning and review as part of an ongoing master planned community development. Given prevailing land use patterns in the area, residential development is permitted and given further consideration in determining highest and best use of the site, as though vacant.

Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a residential development with the underlying zoning and land use designations, which complement existing and proposed surrounding development.

Financially Feasible

Financial feasibility depends on supply and demand influences. With respect to financial feasibility of single-family residential development, consideration to the current state of the residential housing market and its impact on the residential land market is necessary. As previously discussed in the *Residential Market Analysis* section, the significant rise in mortgage interest rates had an inverse relationship on the affordability of a home. Prior to the second half of 2022, interest rates remained historically low, often at or below 3.0%. Conversations with sales agents in multiple new home projects noted there was a slowing in demand for new residential homes in the second half of 2022, with some buyers priced out of entry-level (lower-priced) homes. Current mortgage interest rates more closely resemble historic rates and for the most part the home buyer pool appears to recognize that the 3% mortgage rate environment was the anomaly and rates around the 7% level are most likely into the foreseeable future.

Prior to mid-2022, homebuilders were able to sell homes faster than they were able to construct the homes, but with moderating demand due to rising interest rates and inflation factors, construction delivery is no longer a project challenge. The downward shifts in home prices in the second half of 2022 had a significant impact on underlying land/lot values, and land brokers indicated an abrupt drop in builder demand for developable lots and challenges in selling lots presently available during that time period. Recent market conditions for new homes, constraints on new home inventory, appears to have reversed this trend and early indications are builders are once again looking to increase buildable lot inventories. Reports from active market participants indicate that while only a few bulk lot purchases have closed to builders lately, there is increased interest, and several pending sales are in the due diligence period for acquisition. Lot pricing remains lower than recent peaks achieved, but the return of builder interest in bulk lot acquisitions appears to be signaling a return to steady-to-increasing demand for new homes across many submarkets.

Current market conditions once again appear to support development of partially-improved and unimproved residential lots. With new, lower lot prices, land development to residential lots is again financially feasible (if the vacant land is acquired at prices commensurate with current new home pricing). This return to feasibility is driven by new home buyers (as of Spring 2023) beginning to adjust their budgets to the new interest rates and making purchases. Due to depleting lot existing inventories for many builders, additional land and lot acquisitions may be the maximally productive use of vacant land (discussed below).

Maximally Productive

Legal, physical, and market conditions have been analyzed to evaluate the highest and best use of the appraised properties as vacant. 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 their highest and best use as vacant, may be to hold for future single-family residential development. While land development might be feasible (generates revenue at least some increment greater than cost to complete), it may not be the maximally productive use. The probable buyer of vacant land in the residential space is a merchant builder. For the most part these likely buyers have existing inventories, which under current new home pricing and pace of sales may supply their needs into the foreseeable future.

As Improved (Proposed)

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

The subject properties are approved and under development as a master planned residential community, which is consistent with the highest and best use of the subject as if it were vacant. In the case of undeveloped land under development, consideration must be given to whether it makes sense to demolish existing improvements (either on-site or off-site improvements) for replacement with another use. The time and expense to demolish existing improvements, re-grade, reroute utilities or re-map must be weighed against alternative uses. If the existing or proposed improvements are not

performing well, then it may produce a higher return to demolish existing improvements, if any, and re-grade the site for development of an alternative use.

Based on the current condition, the improvements completed contribute to the overall property value. The value of the subject property as improved exceeds its value as vacant less demolition. Therefore, it is concluded that the maximally productive and the highest and best use of the property is continued development of the subject as planned.

Most Probable Buyer

Taking into account the size and characteristics of the property, the probable buyer of the improved residential lots and partially-improved residential lots, as well as the partially-completed homes would be a production homebuilder. The probable buyers of the completed single-family homes would be 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

Land Residual Analysis

The land residual analysis is employed to estimate the market value for the subject's lots, by project. 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 semi-annual 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 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

The projected sales price for the typical unit within the project will vary, as the ultimate sales price is affected by unit size, location within the project, site influences, construction costs, anticipated premiums achievable at the point of retail sale, as well as external influences such as adjacent land uses. Considering the proposed home sizes provided by each homebuilder, as well as the Draft Price Point Review Study Addendum 1, prepared by Empire Economics (dated August 24, 2023), the representative home and corresponding base price is estimated in the following table and will be utilized in the analyses.

Land Residual Revenue Basis					
Planning Area / Project Name	Market Segment / Product Type	Typical Lot Size	No. of Units	Representative Home Size	Base Price
MR-6 / Mariposa	All Age / Attached Back to Back Townhomes		106	1,482 (Plan 3)	\$710,000
MR-8 / Willow	All Age / Attached Row Townhomes		93	1,272 (Plan 2)	\$690,000
MR-11 / Juniper	All Age/ Detached Duplex		82	1,230 (Plan 2)	\$675,000
MR-24 / Flora	All Age / Detached Alley	1,260	69	1,597 (Plan 2)	\$835,000
MR-25 / Bloom	All Age / Detached Alley	2,150	82	1,805 (Plan 2)	\$920,000
MR-28 / Heatherly	All Age / Detached Alley	1,885	82	2,003 (Plan 2)	\$975,000

As noted, the impact of the rising interest rates affects each buyer pool differently with the first-time homebuyer being the most affected in the buyer pool and luxury as well as age-restricted homebuyers the most insulated from the market. Given the current market conditions, the subject property is

geared toward a combination of entry-level and/or first-time move-up home buyers. Consistent with many new communities in the market, homebuilders are offering significant concessions which lower the net sale price; therefore, the concluded estimates are less than the base prices for the subject property.

Finally, it's common for subdivisions to achieve premiums for larger than typical lots, as well as lots with corner or cul-de-sac positioning, or proximity to open space or views. Based on the site plans of the subject planning areas, as well as achieved lot premiums within Planning Areas 3.1 and 3.2A of The Village at Rienda of upwards of \$60,000 per lot, an overall premium of 5% of home revenue is considered reasonable for the subject's detached product lines, which range from \$33,750 to \$48,750 per lot on average.

Closing Projections

According to market interviews and surveys of active market participants, for the attached products, the typical time required for the construction of units is estimated at approximately nine to 18 months from start to closing. For the detached products, construction of the homes is estimated at approximately two to nine months. It is assumed that closings will occur within 12 months of the date of sale for the attached products and six months of the detached products. These assumptions are reflected in the projected construction schedules shown in the land residual model's project activity table in the section titled direct construction and phasing. Since the land residual analysis is conducted on a semiannual basis, closings are reflected in the third period following the sale for the attached products, and in the second period following the sale for the detached products.

Changes in Market Conditions (Price Increases or Decreases)

The subject's market area has experienced rapid market appreciation in home prices for the past few years; however, since early 2022 the Federal Reserve Bank began raising the benchmark federal-funds rate (from near zero in March 2022) in an effort to manage rising inflation. The fed-funds rate is greater than 5%, which has resulted in a substantial rise in mortgage interest rates, which now exceed 6.50%. Market expectations are for additional rate increases. The rise in mortgage interest rates is anticipated to impact the affordability of homes for a certain segment of the homebuyer market, which may impact pricing in the near term. Consequently, under current market conditions, forecasting home appreciation during the absorption period is speculative, and several homebuilders surveyed indicate they typically do not trend/forecast home appreciation during the sell-off period. Therefore, for purposes of this analysis, the home price revenue will be held constant during the sell-off 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, with limited new home competition in the immediate area, and taking into consideration current market conditions, we estimate an absorption rate of approximately 2.5 to 3.70 units per month for the subject. Home closings begin in Period 3 for the attached product and Period 2 for the detached product.

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 California.

Attached Residential Budgets													
Developer Classification	Budget Date	No. of Unit	Quality	Avg. Unit Size (SF)	G & A % of Revenue	Mkt & Sales % of Revenue	Direct Costs/SF	Indirect % of Direct Costs	Site Costs/Unit	Permits & Fees/Unit	Profit % of Revenue	IRR	Projected Sales/Mo.
Regional	2022	46	Good	1,727	2.43%	2.78%	\$199.00	19%	\$67,604	\$59,935	N/Av	N/Av	N/Av
Local	2021	84	Average	1,500	N/Av	N/Av	\$109.96	1%	\$56,681	\$13,280	N/Av	N/Av	N/Av
Local	2021	50	Average	1,392	4.90%	5.20%	\$108.90	19%	\$57,690	\$16,136	16.7%	16.4%	N/Av
Regional	2021	15	Good	1,678	4.80%	1.34%	\$223.00	17%	\$108,667	\$40,000	10.9%	N/Av	4.0
Regional	2020	29	Good	1,364	N/Av	N/Av	\$210.00	10%	\$90,074	\$49,244	N/Av	N/Av	N/Av
Regional	2020	102	Average	1,560	2.80%	6.00%	\$136.00	18%	\$105,207	\$44,282	24.5%	N/Av	3.0
Regional	2020	134	Good	1,707	N/Av	N/Av	\$180.00	16%	\$187,280	\$27,365	N/Av	N/Av	4.0
Minimum		15	Average	1,364	2.43%	1.34%	\$108.90	1%	\$56,681	\$13,280	10.9%	16.4%	3.0
Maximum		134	Good	1,727	4.90%	6.00%	\$223.00	19%	\$187,280	\$59,935	24.5%	16.4%	4.0
Average		66	Average/Good	1,561	3.73%	3.83%	\$166.69	14%	\$96,172	\$35,749	17.4%	16.4%	3.7

Subdivision Budgets														
Developer Classification	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 % of Direct Costs	Site Costs/Lot	Permits & Fees/Unit	Profit % of Revenue	IRR	Projected Sales/Mo.
National	2023	85	Average	2,118	4,800	2.25%	2.25%	\$96.79	10.24%	N/Av	\$88,700	N/Av	N/Av	3.0
National	2022	150	Average	2,092	5,500	N/Av	N/Av	\$92.11	N/Av	\$72,875	\$51,700	20.5%	N/Av	N/Av
Local	2022	91	Average	2,160	5,475	5.0%	1.0%	\$117.00	N/Av	N/Av	\$52,790	10.0%	N/Av	N/Av
National	2022	159	Average	1,575	2,275	N/Av	N/Av	\$145.64	N/Av	\$41,811	\$54,100	28.0%	25.0%	6.0
Regional	2022	30	Average	2,090	5,200	3.0%	2.0%	\$150.00	6.0%	\$103,967	\$55,800	16.4%	N/Av	4.0
Regional	2021	128	Average	2,009	2,565	3.0%	3.5%	\$87.42	19.0%	N/Av	\$54,371	14.0%	N/Av	N/Av
Local	2021	12	Good	1,909	3,450	N/Av	1.4%	\$189.48	16.7%	\$96,162	\$36,270	20.0%	N/Av	4.0
Local	2020	30	Average	1,643	5,344	0.4%	1.7%	\$143.00	5%	N/Av	\$25,267	N/Av	N/Av	3.5
National	2020	144	Average	1,800	2,000	N/Av	N/Av	\$134.00	N/Av	\$25,569	\$37,700	N/Av	N/Av	N/Av
Local	2020	22	Good	1,692	2,200	N/Av	N/Av	\$170.00	20%	\$101,441	\$25,850	N/Av	N/Av	N/Av
National	2020	14	Average	2,165	3,500	N/Av	3.2%	\$95.00	12%	N/Av	\$68,214	N/Av	N/Av	4.0
National	2020	48	Average	2,102	5,250	2.4%	6.1%	\$124.00	16%	\$102,134	\$53,000	16.1%	36.2%	4.0
Minimum		12	Average	1,575	2,000	0.4%	1.0%	\$87.42	5.0%	\$25,569	\$25,267	10.0%	25.0%	3.0
Maximum		159	Good	2,165	5,500	5.0%	6.1%	\$189.48	20.0%	\$103,967	\$88,700	28.0%	36.2%	6.0
Average		76	Average	1,946	3,963	2.7%	2.6%	\$128.70	13.1%	\$77,708	\$50,314	17.9%	30.6%	4.1

Information from the surveys above will contribute to the estimate of development expenses summarized as follows, and discussed in further detail on the following pages.

Land Residual Expense Summary

	MR-6 / Mariposa	MR-8 / Willow	MR-11 / Juniper	MR-24 / Flora	MR-25 / Bloom	MR-28 / Heatherly
General and Administrative (% of total revenue)	2%	2%	2%	2%	2%	2%
Marketing and Sales (% of total revenue)	5%	5%	5%	5%	5%	5%
Direct Real Estate Tax Charges (\$/unit/year)	\$17.00	\$17.00	\$17.00	\$17.00	\$17.00	\$17.00
CFD No. 2023-1 (Rienda Phase 2B) (\$/unit/year)	\$7,009	\$6,823	\$6,664	\$8,281	\$8,883	\$9,631
Number of Model Homes	5	3	4	3	4	3
Model Costs (\$/model)	\$55,000	\$55,000	\$55,000	\$65,000	\$85,000	\$85,000
Site Development Costs (\$/unit)	\$0	\$0	\$0	\$0	\$0	\$0
Building Permits and Fees (\$/unit)	\$5,100	\$5,100	\$2,000	\$3,200	\$3,200	\$3,200
Direct Construction Costs (\$/SF)	\$110	\$105	\$110	\$105	\$100	\$105
Indirect Construction Costs (% of Direct Costs)	15%	15%	15%	15%	15%	15%
Internal Rate of Return (IRR)	9.00%	9.00%	13.00%	13.00%	15.00%	15.00%

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 2.0% 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 5.0%, or 2.0% for marketing and 3.0% for sales, 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 1.01041%. 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 project. The tax amounts are applied to unclosed inventory of lots over the sell-off period. Property taxes are increased by 2% per year. The subject is within the boundary of CFD No. 2023-1. Special Taxes associated with the District, for the most recently available tax year are detailed in the *Real Estate Taxes* section presented previously in this report. In addition, the subject units are subject to various direct charges of \$17/unit/year. The total tax expense is gradually reduced over the absorption period, as the land components are sold off.

Remaining Site Development Costs

This analysis considers the subject as finished lots; no deduction for remaining site development costs is considered in the analyses that follow.

Permits and Fees

Permits and fees represent all fees payable upon obtaining building permit for the construction of the proposed units.

Direct and Indirect Construction Costs

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, who are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct 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 lines under development, a direct cost estimates range from \$105 to \$110 per square foot for the attached products, and between \$100 and \$110 per square foot for the detached products, considering

economies of scale. Considering current market conditions, we have applied a 0.5% per year cost increase during the sell-off period.

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 15% is considered reasonable for the subject.

Model Complex

Model upgrade expenses can vary widely depending upon construction quality, targeted market and anticipated length of time on the market. These upgrades, exterior and interior, including furniture, can range from \$20,000 per model to over \$250,000 per model for executive homes.

Based on the quality of the subjects' proposed improvements and the targeted buyer segments, model upgrade costs between \$55,000 and \$85,000 is considered reasonable. Of this amount approximately 35% will be recaptured with the sale of the models. Model cost will be applied over the initial period, and recapture amounts spread over the revenue projection.

Summary

The following charts summarize the revenue and expenses discussed on the preceding pages.

Revenue & Expense Summary - MR-6 / Mariposa (All Age - Attached Back to Back Townhomes)

Revenue

Home Size (SF)		1,482	
Sale Price		\$710,000	
Number of Units		106	
Home Revenue (Before Appreciation):		\$75,260,000	
Home Revenue (After Appreciation):		\$75,260,000	
Home Revenue (Per Lot - from cash flow):		\$710,000	
Unit Premiums		\$940,750	\$8,875 (per unit)
Model Recapture	(@ 35% of cost)	\$96,250	
Lot Premium and Model Recapture Revenue:		\$1,037,000	\$9,783 (per unit)
Total Revenue (After Appreciation):		\$76,297,000	\$719,783 (per unit)

Expenses

Non-Appreciated Expenses

General and Administrative	2.0%	of total revenue	Total Over Sell-Off Period	\$1,525,940	
Marketing and Sales	5.0%	of total revenue		\$3,814,850	
Ad Valorem Real Estate Taxes	\$3,584	/unit/year		\$754,924	(from cash flow)
Direct Real Estate Tax Charges	\$17	/unit/year		\$3,536	(from cash flow)
CFD No. 2023-1 (Rienda Phase 2B)	\$7,009	/unit/year		\$1,476,317	(from cash flow)
Model Costs	5	models		\$275,000	\$55,000 (per model)
Site Development Costs				\$0	\$0 (per unit)
Permits and Fees				\$540,600	\$5,100 (per unit)
Subtotal:				\$8,391,167	
<u>Appreciated Expenses</u>					
Direct Construction Costs (Before Appreciation)				\$17,280,120	\$163,020 (per unit) \$110 per SF
Direct Construction Costs (After Appreciation)				\$17,406,905	\$164,216 (per unit) (from cash flow)
Indirect Construction Costs (Total)	15%	of Direct Costs		\$2,611,036	\$24,632 (per unit) (from cash flow)
Subtotal:				\$20,017,941	
Total Expenses:				\$28,409,107	



Revenue & Expense Summary - MR-8 / Willow (All Age - Attached Row Townhomes)

Revenue

Home Size (SF)		1,272	
Sale Price		\$690,000	
Number of Units		93	
Home Revenue (Before Appreciation):		\$64,170,000	
Home Revenue (After Appreciation):		\$64,170,000	
Home Revenue (Per Lot - from cash flow):		\$690,000	
Unit Premiums		\$1,058,805	\$11,385 (per unit)
Model Recapture	(@ 35% of cost)	\$57,750	
Lot Premium and Model Recapture Revenue:		\$1,116,555	\$12,006 (per unit)
Total Revenue (After Appreciation):		\$65,286,555	\$702,006 (per unit)

Expenses

Non-Appreciated Expenses

General and Administrative	2.0%	of total revenue	Total Over Sell-Off Period	\$1,305,731	
Marketing and Sales	5.0%	of total revenue		\$3,264,328	
Ad Valorem Real Estate Taxes	\$3,609	/unit/year		\$781,748	(from cash flow)
Direct Real Estate Tax Charges	\$17	/unit/year		\$3,621	(from cash flow)
CFD No. 2023-1 (Rienda Phase 2B)	\$6,823	/unit/year		\$1,477,842	(from cash flow)
Model Costs	3	models		\$165,000	\$55,000 (per model)
Site Development Costs				\$0	\$0 (per unit)
Permits and Fees				\$474,300	\$5,100 (per unit)
Subtotal:				\$7,472,570	
Appreciated Expenses					
Direct Construction Costs (Before Appreciation)				\$12,421,080	\$133,560 (per unit) \$105 per SF
Direct Construction Costs (After Appreciation)				\$12,532,772	\$134,761 (per unit) (from cash flow)
Indirect Construction Costs (Total)	15%	of Direct Costs		\$1,879,916	\$20,214 (per unit) (from cash flow)
Subtotal:				\$14,412,688	
Total Expenses:				\$21,885,257	



Revenue & Expense Summary - MR-11 / Juniper (All Age - Detached Duplex)

Revenue

Home Size (SF)		1,230	
Sale Price		\$675,000	
Number of Units		82	
Home Revenue (Before Appreciation):		\$55,350,000	
Home Revenue (After Appreciation):		\$55,350,000	
Home Revenue (Per Lot - from cash flow):		\$675,000	
Lot Premiums		\$2,767,500	\$33,750 (per unit)
Model Recapture	(@ 35% of cost)	\$77,000	
Lot Premium and Model Recapture Revenue:		\$2,844,500	\$34,689 (per unit)
Total Revenue (After Appreciation):		\$58,194,500	\$709,689 (per unit)

ExpensesNon-Appreciated Expenses

			Total Over Sell-Off Period
General and Administrative	2.0% of total revenue		\$1,163,890
Marketing and Sales	5.0% of total revenue		\$2,909,725
Ad Valorem Real Estate Taxes	\$3,815 /unit/year		\$442,309 (from cash flow)
Direct Real Estate Tax Charges	\$17 /unit/year		\$1,955 (from cash flow)
CFD No. 2023-1 (Rienda Phase 2B)	\$6,664 /unit/year		\$772,637 (from cash flow)
Model Costs	4 models		\$220,000 \$55,000 (per model)
Site Development Costs			\$0 \$0 (per unit)
Permits and Fees			\$164,000 \$2,000 (per unit)
Subtotal:			\$5,674,516
Appreciated Expenses			
Direct Construction Costs (Before Appreciation)			\$11,094,600 \$135,300 (per unit) \$110 per SF
Direct Construction Costs (After Appreciation)			\$11,163,347 \$136,138 (per unit) (from cash flow)
Indirect Construction Costs (Total)	15% of Direct Costs		\$1,674,502 \$20,421 (per unit) (from cash flow)
Subtotal:			\$12,837,849
Total Expenses:			\$18,512,366

Revenue & Expense Summary - MR-24 / Flora (All Age - Detached Alley)**Revenue**

Home Size (SF)		1,597	
Sale Price		\$835,000	
Number of Units		69	
Home Revenue (Before Appreciation):		\$57,615,000	
Home Revenue (After Appreciation):		\$57,615,000	
Home Revenue (Per Lot - from cash flow):		\$835,000	
Lot Premiums		\$2,880,750	\$41,750 (per unit)
Model Recapture	(@ 35% of cost)	\$68,250	
Lot Premium and Model Recapture Revenue:		\$2,949,000	\$42,739 (per unit)
Total Revenue (After Appreciation):		\$60,564,000	\$877,739 (per unit)

ExpensesNon-Appreciated Expenses

General and Administrative	2.0%	of total revenue	Total Over Sell-Off Period		
Marketing and Sales	5.0%	of total revenue	\$1,211,280		
Ad Valorem Real Estate Taxes	\$4,906	/unit/year	\$384,502	(from cash flow)	
Direct Real Estate Tax Charges	\$17	/unit/year	\$1,326	(from cash flow)	
CFD No. 2023-1 (Rienda Phase 2B)	\$8,281	/unit/year	\$649,065	(from cash flow)	
Model Costs	3	models	\$195,000	\$65,000 (per model)	
Site Development Costs			\$0	\$0 (per unit)	
Permits and Fees			\$220,800	\$3,200 (per unit)	
Subtotal:			\$5,690,173		
<u>Appreciated Expenses</u>					
Direct Construction Costs (Before Appreciation)			\$11,570,265	\$167,685 (per unit)	\$105 per SF
Direct Construction Costs (After Appreciation)			\$11,626,130	\$168,495 (per unit)	(from cash flow)
Indirect Construction Costs (Total)	15%	of Direct Costs	\$1,743,920	\$25,274 (per unit)	(from cash flow)
Subtotal:			\$13,370,050		
Total Expenses:			\$19,060,223		

Revenue & Expense Summary - MR-25 / Bloom (All Age - Detached Alley)

Revenue

Home Size (SF)		1,805	
Sale Price		\$920,000	
Number of Units		82	
Home Revenue (Before Appreciation):		\$75,440,000	
Home Revenue (After Appreciation):		\$75,440,000	
Home Revenue (Per Lot - from cash flow):		\$920,000	
Lot Premiums		\$3,772,000	\$46,000 (per unit)
Model Recapture	(@ 35% of cost)	\$119,000	
Lot Premium and Model Recapture Revenue:		\$3,891,000	\$47,451 (per unit)
Total Revenue (After Appreciation):		\$79,331,000	\$967,451 (per unit)

Expenses

Non-Appreciated Expenses

General and Administrative	2.0%	of total revenue	Total Over Sell-Off Period	\$1,586,620	
Marketing and Sales	5.0%	of total revenue		\$3,966,550	
Ad Valorem Real Estate Taxes	\$5,099	/unit/year		\$565,012	(from cash flow)
Direct Real Estate Tax Charges	\$17	/unit/year		\$1,870	(from cash flow)
CFD No. 2023-1 (Rienda Phase 2B)	\$8,883	/unit/year		\$984,336	(from cash flow)
Model Costs	4	models		\$340,000	\$85,000 (per model)
Site Development Costs				\$0	\$0 (per unit)
Permits and Fees				\$262,400	\$3,200 (per unit)
Subtotal:				\$7,706,788	

Appreciated Expenses

Direct Construction Costs (Before Appreciation)			\$14,801,000	\$180,500 (per unit)	\$100 per SF
Direct Construction Costs (After Appreciation)			\$14,888,171	\$181,563 (per unit)	(from cash flow)
Indirect Construction Costs (Total)	15%	of Direct Costs	\$2,233,226	\$27,234 (per unit)	(from cash flow)
Subtotal:			\$17,121,397		

Total Expenses: \$24,828,185



Revenue & Expense Summary - MR-28 / Heatherly (All Age - Detached Alley)

Revenue			
Home Size (SF)		2,003	
Sale Price		\$975,000	
Number of Units		82	
Home Revenue (Before Appreciation):		\$79,950,000	
Home Revenue (After Appreciation):		\$79,950,000	
Home Revenue (Per Lot - from cash flow):		\$975,000	
Lot Premiums		\$3,997,500	\$48,750 (per unit)
Model Recapture	(@ 35% of cost)	<u>\$89,250</u>	
Lot Premium and Model Recapture Revenue:		\$4,086,750	\$49,838 (per unit)
Total Revenue (After Appreciation):		\$84,036,750	\$1,024,838 (per unit)
Expenses			
<u>Non-Appreciated Expenses</u>			
General and Administrative	2.0%	of total revenue	Total Over Sell-Off Period \$1,680,735
Marketing and Sales	5.0%	of total revenue	\$4,201,838
Ad Valorem Real Estate Taxes	\$4,998	/unit/year	\$674,586 (from cash flow)
Direct Real Estate Tax Charges	\$17	/unit/year	\$2,272 (from cash flow)
CFD No. 2023-1 (Rienda Phase 2B)	\$9,631	/unit/year	\$1,299,952 (from cash flow)
Model Costs	3	models	\$255,000 \$85,000 (per model)
Site Development Costs			\$0 \$0 (per unit)
Permits and Fees			<u>\$262,400</u> \$3,200 (per unit)
Subtotal:			\$8,376,783
<u>Appreciated Expenses</u>			
Direct Construction Costs (Before Appreciation)			\$17,245,830 \$210,315 (per unit) \$105 per SF
Direct Construction Costs (After Appreciation)			\$17,372,296 \$211,857 (per unit) (from cash flow)
Indirect Construction Costs (Total)	15%	of Direct Costs	<u>\$2,605,844</u> \$31,779 (per unit) (from cash flow)
Subtotal:			\$19,978,140
Total Expenses:			\$28,354,923

Developer's Incentive and Discount Rate

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the "base" equity position when a portion of the development is financed. The "base" equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the threshold project yield requirement is about 20% to 30% for production home type projects. Instances in which project yields may be less than 20% often involve profit participation arrangements in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the PwC Real Estate Investor Survey^[1], discount rates for land development projects ranged from 12.00% to 30.00%, with an average of 19.2% during the Second Quarter 2023, which is 50 basis points higher than the average reported in the Fourth Quarter 2022, 100 basis points higher than a year ago, and assumes entitlements are in place. Without entitlements in place, certain investors will increase the discount rate an average of 125 basis points.

[1] PwC Real Estate Investor Survey, PricewaterhouseCoopers, 2nd Quarter 2023.

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

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

Excerpts from recent PwC surveys are copied below.

"Development land investors continue to search for opportunities, especially in the apartment and industrial sectors of the industry. They note, however, that holding costs are dramatically higher due to the rise in interest rates over the past year, which could change their strategies for the near term and keep their acquisitions to a minimum. 'Deals are requiring further due diligence to meet projected returns,' states an investor. Unfortunately, the current stress in the financial sector is adding additional challenges. 'We are looking closely at our banking relationships,' says another. Growth rates for development expenses, such as amenities, real estate taxes, advertising, and administration, range from 0.00% to 10.00% and average 4.71%. For lot pricing, investors indicate a range from 2.00% to 5.00%; the average growth rate is 3.13%." (Second Quarter 2023)

"Confronted with inflation, rising interest rates, economic uncertainty, and a slowdown in tenant demand, it is not surprising that most surveyed investors expect property values to decline over the next 12 months...When looking at macro development prospects for the five major commercial real estate sectors included in *Emerging Trends*, only the hotel sector shows an improvement in its rating from last year... Although the industrial/distribution and multi-family sectors boast the highest ratings for 2023, they both slip this year among respondents... From a micro standpoint, the top-five property types for development prospects in 2023 are datacenters, fulfillment, moderate-income/workforce apartments, life-science facilities, and single-family rental housing." Labor costs and availability as well as material costs are among the top three reported development issues for 2023. (Fourth Quarter 2022)

"Based on our Survey results, the industrial and multifamily sectors of the U.S. commercial real estate industry offer the best development land investment opportunities due to strong tenant demand. Investors also see opportunities in the single-family residential sector...However, many are mindful that rising interest rates could dampen demand even though U.S. homebuilding unexpectedly rose in March 2022. Still, record low housing supply should continue to support homebuilding this year...Over the next 12 months, surveyed investors are mostly optimistic regarding value trends for the national development land market. Their expectations range from a decline of 5.0% to growth of 25.0% with an average expected value change of +7.0%. This average is better than where it is was both six months ago, as well as a year ago (+5.8% for both time periods)." (Second Quarter 2022)

“Compared to five years ago, both the apartment and industrial sectors show strong gains in their ratings, while the other three sectors [retail, office, hotel] see their ratings decline...From a micro standpoint, the top five property types for development prospects in 2022 are fulfillment, life science facilities, warehouse, single-family rental housing, and moderate-income/workforce apartments.” Among the top five development issues as reported among *Emerging Trends* Respondents are construction material costs, construction labor costs, construction labor availability, land costs and state & local regulations. (Fourth Quarter 2021)

“2020 revealed that where people work and where people live can be very far apart,” says a development land participant. This philosophy is a driving force behind a resurgence of new-home construction in the United States. In the nonresidential sector, each segment reported year-over-year declines in spending as of March 2021. Over the next 12 months, surveyed investors are most optimistic regarding value trends for the national development land market. Their expectations range from a decline of 5.0% to growth of 25.0% with an average expected value change of +5.8%. This average is better than where it was six months ago (+4.9%), as well as a year ago (-6.9%). (Second Quarter 2021)

For 2021, most *Emerging Trends* respondents (53.0%) believe that debt capital for development and redevelopment will be undersupplied. This percentage is more than twice the figure from last year’s report and is likely due to the uncertainty tied to the pandemic. Interestingly, the percentage of respondents that feel debt capital for such projects will be “in balance” drops this year to 35.0% – down from 57.0% in 2020. (Fourth Quarter 2020)

Amid the COVID-19 crisis, participants in the national development land market are looking to reduce leverage, lessen their holding costs, and preserve cash flow. “These are highly uncertain times, and we are moving in a direction no one thought we’d be headed a few months ago,” shares a participant. Although some investors are looking to acquire distressed properties, it is difficult to ascertain pricing amid such uncertainty. For now, most investors are content to wait on the sidelines for a clearer path to emerge before they formulate new strategies for the rest of 2020 and beyond. (Second Quarter 2020)

Project Yield Rate Survey	
Data Source	Yield / IRR Expectations (Inclusive of Profit)
PwC Real Estate Investor Survey - Second Quarter 2023 (updated semi-annually)	Range of 12.0% to 30.0%, with an average of 19.20%, on an unleveraged basis, for land development (national average)
National Builder	20% to 25% for entitled lots
Regional Builder	18% to 25%. Longer term, higher risk projects on higher side of the range, shorter term, lower risk projects on the lower side of the range. Long term speculation properties (10 to 20 years out) often closer to 30%.
National Builder	18% minimum, 20% target
Developer	Minimum IRR of 20-25%; for an 8 to 10 year cash flow, mid to upper 20% range
Developer	25% IRR for land development is typical (no entitlements); slightly higher for properties with significant infrastructure costs
Land Management Company	20% to 30% IRR for land development deals on an unleveraged basis
Land Developer	35% for large land deals from raw unentitled to tentative map stage, unleveraged or leveraged. 25% to 30% from tentative map to pad sales to merchant builders, unleveraged
Land Developer	18% to 22% for land with some entitlements, unleveraged. 30% for raw unentitled land
Real Estate Consulting Firm	Low 20% range yield rate required to attract capital to longer-term land holdings
Land Developer	Merchant builder yield requirements in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30%. Environmentally challenged or politically risky development could well run in excess of 35%.
Regional Builder	10% discount rate excluding profit for single-family subdivisions
National Builder	10% to 40% for single-family residential subdivisions with 1-2 year development timelines
Regional Builder	15% to 20% IRR
Regional Builder	No less than 20% IRR for land development, either entitled or unentitled
Land Developer	20% to 30% for an unentitled property; the lower end of the range would reflect those properties close to tentative maps
Regional Builder	No less than 30% when typical entitlement risk exists

According to industry sources, project yield rates historically have ranged anywhere from 5% to 25%, with a predominate range of 5% to 25%. A yield rate is based on the perceived risk associated with the development.

Positive attributes of the subject property include steady demand in the market area and limited new construction. There are some “negative” attributes associated with the subject such as rising construction costs, in addition to the potential for deterioration in market conditions in the residential sector that would result from a change in macroeconomic factors (ex. continued high inflation, unemployment rates, interest rates, etc.). Based on the characteristics of the subject an internal rate of return (IRR) between 9% and 15% are used in our analyses.

Conclusion

The land residual analyses are presented as follows:

Land Residual Analysis - MR-6 / Mariposa (All Age - Attached Back to Back Townhomes)										
Semi-Annual:	0	1	2	3	4	5	6	7	8	Total
REVENUE AND SALES										
Sales - Attached	0	22	22	22	22	18	0	0	0	106
Unsold Inventory	106	84	62	40	18	0	0	0	0	
Close of Escrow (COE)	0	0	0	22	22	22	22	18	0	106
Pending/Under Construction	0	22	44	66	66	62	40	18	0	
Under Construction by %		6.9%	13.8%	20.8%	20.8%	19.5%	12.6%	5.7%	0.0%	100.0%
Unclosed Inventory	106	106	106	84	62	40	18	0	0	
Contracted Base Revenue (Before Appreciation)		\$15,620,000	\$15,620,000	\$15,620,000	\$15,620,000	\$12,780,000	\$0	\$0	\$0	\$75,260,000
Semi-Annual Appreciation Factor	1.0000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	
Appreciated Contracted Home Revenue		\$15,620,000	\$15,620,000	\$15,620,000	\$15,620,000	\$12,780,000	\$0	\$0	\$0	\$75,260,000
Appreciated Closing Home Revenue		\$0	\$0	\$15,620,000	\$15,620,000	\$15,620,000	\$15,620,000	\$12,780,000	\$0	\$75,260,000
Lot Premium and Model Recapture Revenue		\$0	\$0	\$215,226	\$215,226	\$215,226	\$215,226	\$176,094	\$0	\$1,037,000
Total Revenue		\$0	\$0	\$15,835,226	\$15,835,226	\$15,835,226	\$15,835,226	\$12,956,094	\$0	\$76,297,000
EXPENSES AND CASH FLOWS										
Fixed or Percentage Expenses										
General and Administrative	2%	(\$190,743)	(\$190,743)	(\$190,743)	(\$190,743)	(\$190,743)	(\$190,743)	(\$190,743)	(\$190,743)	(\$1,525,940)
Marketing and Sales	5%	\$0	\$0	(\$791,761)	(\$791,761)	(\$791,761)	(\$791,761)	(\$647,805)	\$0	(\$3,814,850)
Ad Valorem Real Estate Taxes	\$3,584	(\$189,957)	(\$189,957)	(\$153,543)	(\$113,329)	(\$74,578)	(\$33,560)	\$0	\$0	(\$574,924)
Direct Real Estate Tax Charges	\$17	(\$901)	(\$901)	(\$714)	(\$527)	(\$340)	(\$153)	\$0	\$0	(\$3,536)
Co. of Orange CFD No. 2023-1 (Rienda Phase 2B)	\$7,009	(\$371,477)	(\$371,477)	(\$300,266)	(\$221,625)	(\$145,843)	(\$65,629)	\$0	\$0	(\$1,476,317)
Model Costs		(\$275,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$275,000)
Site Development Costs		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Building Permits		(\$112,200)	(\$112,200)	(\$112,200)	(\$112,200)	(\$91,800)	\$0	\$0	\$0	(\$540,600)
Subtotal:		(\$1,140,278)	(\$865,278)	(\$1,549,226)	(\$1,430,185)	(\$1,295,065)	(\$1,081,846)	(\$838,547)	(\$190,743)	(\$8,391,167)
Appreciated Expenses										
Direct Construction Costs		(\$1,195,480)	(\$2,390,960)	(\$3,586,440)	(\$3,586,440)	(\$3,369,080)	(\$2,173,600)	(\$978,120)	\$0	(\$17,280,120)
Semi-Annual Appreciation Factor	1.0025	1.00000	1.00250	1.00501	1.00752	1.01004	1.01256	1.01509	1.01763	
Appreciated Direct Costs		(\$1,195,480)	(\$2,396,937)	(\$3,604,395)	(\$3,613,406)	(\$3,402,897)	(\$2,200,906)	(\$992,884)	\$0	(\$17,406,905)
Indirect Construction Costs	15%	(\$179,322)	(\$359,541)	(\$540,659)	(\$542,011)	(\$510,435)	(\$330,136)	(\$148,933)	\$0	(\$2,611,036)
Subtotal:		(\$1,374,802)	(\$2,756,478)	(\$4,145,054)	(\$4,155,416)	(\$3,913,332)	(\$2,531,042)	(\$1,141,816)	\$0	(\$20,017,941)
Total Expenses		(\$2,515,080)	(\$3,621,756)	(\$5,694,280)	(\$5,585,601)	(\$5,208,397)	(\$3,612,888)	(\$1,980,364)	(\$190,743)	(\$28,409,107)
NET INCOME BEFORE DEVELOPER'S INCENTIVE		(\$2,515,080)	(\$3,621,756)	\$10,140,947	\$10,249,625	\$10,626,830	\$12,222,338	\$10,975,731	(\$190,743)	\$47,887,893
Present Value Factor										
Internal Rate of Return (IRR)	9.00%	0.95694	0.91573	0.87630	0.83856	0.80245	0.76790	0.73483	0.70319	
Discounted Cash Flow		(\$2,406,775)	(\$3,316,550)	\$8,886,477	\$8,594,940	\$8,527,510	\$9,385,481	\$8,065,279	(\$134,127)	\$37,602,236
Net Present Value										\$37,600,000
										Net Present Value Per Unit (Rounded): \$355,000



Land Residual Analysis - MR-8 / Willow (All Age - Attached Row Townhomes)										
Semi-Annual:	0	1	2	3	4	5	6	7	8	Total
REVENUE AND SALES										
Sales - Attached	0	15	15	15	15	15	18	0	0	93
Unsold Inventory	93	78	63	48	33	18	0	0	0	
Close of Escrow (COE)	0	0	0	15	15	15	15	15	18	93
Pending/Under Construction	0	15	30	45	45	45	48	33	18	
Under Construction by %		5.4%	10.8%	16.1%	16.1%	16.1%	17.2%	11.8%	6.5%	100.0%
Unclosed Inventory	93	93	93	78	63	48	33	18	0	
Contracted Base Revenue (Before Appreciation)		\$10,350,000	\$10,350,000	\$10,350,000	\$10,350,000	\$10,350,000	\$12,420,000	\$0	\$0	\$64,170,000
Semi-Annual Appreciation Factor	1.0000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	
Appreciated Contracted Home Revenue		\$10,350,000	\$10,350,000	\$10,350,000	\$10,350,000	\$10,350,000	\$12,420,000	\$0	\$0	\$64,170,000
Appreciated Closing Home Revenue		\$0	\$0	\$10,350,000	\$10,350,000	\$10,350,000	\$10,350,000	\$10,350,000	\$12,420,000	\$64,170,000
Lot Premium and Model Recapture Revenue		\$0	\$0	\$180,090	\$180,090	\$180,090	\$180,090	\$180,090	\$216,107	\$1,116,555
Total Revenue		\$0	\$0	\$10,530,090	\$10,530,090	\$10,530,090	\$10,530,090	\$10,530,090	\$12,636,107	\$65,286,555
EXPENSES AND CASH FLOWS										
Fixed or Percentage Expenses										
General and Administrative	2%	(\$163,216)	(\$163,216)	(\$163,216)	(\$163,216)	(\$163,216)	(\$163,216)	(\$163,216)	(\$163,216)	(\$1,305,731)
Marketing and Sales	5%	\$0	\$0	(\$526,504)	(\$526,504)	(\$526,504)	(\$526,504)	(\$526,504)	(\$631,805)	(\$3,264,328)
Ad Valorem Real Estate Taxes	\$3,609	(\$167,829)	(\$167,829)	(\$143,575)	(\$115,964)	(\$90,121)	(\$61,958)	(\$34,471)	\$0	(\$781,748)
Direct Real Estate Tax Charges	\$17	(\$791)	(\$791)	(\$663)	(\$536)	(\$408)	(\$281)	(\$153)	\$0	(\$3,621)
Co. of Orange CFD No. 2023-1 (Rienda Phase 2B)	\$6,823	(\$317,270)	(\$317,270)	(\$271,419)	(\$219,223)	(\$170,368)	(\$117,128)	(\$65,166)	\$0	(\$1,477,842)
Model Costs		(\$165,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$165,000)
Site Development Costs		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Building Permits		(\$76,500)	(\$76,500)	(\$76,500)	(\$76,500)	(\$76,500)	(\$91,800)	\$0	\$0	(\$474,300)
Subtotal:		(\$890,605)	(\$725,605)	(\$1,181,878)	(\$1,101,944)	(\$1,027,117)	(\$960,887)	(\$789,511)	(\$795,022)	(\$7,472,570)
Appreciated Expenses										
Direct Construction Costs		(\$667,800)	(\$1,335,600)	(\$2,003,400)	(\$2,003,400)	(\$2,003,400)	(\$2,136,960)	(\$1,469,160)	(\$801,360)	(\$12,421,080)
Semi-Annual Appreciation Factor	1.0025	1.00000	1.00250	1.00501	1.00752	1.01004	1.01256	1.01509	1.01763	
Appreciated Direct Costs		(\$667,800)	(\$1,338,939)	(\$2,013,430)	(\$2,018,463)	(\$2,023,509)	(\$2,163,806)	(\$1,491,336)	(\$815,489)	(\$12,532,772)
Indirect Construction Costs	15%	(\$100,170)	(\$200,841)	(\$302,014)	(\$302,769)	(\$303,526)	(\$324,571)	(\$223,700)	(\$122,323)	(\$1,879,916)
Subtotal:		(\$767,970)	(\$1,539,780)	(\$2,315,444)	(\$2,321,233)	(\$2,327,036)	(\$2,488,377)	(\$1,715,036)	(\$937,813)	(\$14,412,688)
Total Expenses		(\$1,658,575)	(\$2,265,385)	(\$3,497,322)	(\$3,423,176)	(\$3,354,153)	(\$3,449,264)	(\$2,504,547)	(\$1,732,835)	(\$21,885,257)
NET INCOME BEFORE DEVELOPER'S INCENTIVE		(\$1,658,575)	(\$2,265,385)	\$7,032,768	\$7,106,913	\$7,175,936	\$7,080,825	\$8,025,543	\$10,903,273	\$43,401,298
Present Value Factor										
Internal Rate of Return (IRR)	9.00%	0.95694	0.91573	0.87630	0.83856	0.80245	0.76790	0.73483	0.70319	
Discounted Cash Flow		(\$1,587,154)	(\$2,074,481)	\$6,162,790	\$5,959,583	\$5,758,338	\$5,437,336	\$5,897,397	\$7,667,019	\$33,220,828
Net Present Value										\$33,220,000
Net Present Value Per Unit (Rounded):										\$357,000



Land Residual Analysis - MR-11 / Juniper (All Age - Detached Duplex)									
	Semi-Annual:	0	1	2	3	4	5	6	Total
REVENUE AND SALES									
Sales - Detached		0	18	18	18	18	10	0	82
Unsold Inventory		82	64	46	28	10	0	0	
Close of Escrow (COE)		0	0	18	18	18	18	10	82
Pending/Under Construction		0	18	54	54	54	46	20	
Under Construction by %			7.3%	22.0%	22.0%	22.0%	18.7%	8.1%	100.0%
Undisclosed Inventory			82	64	46	28	10	0	
Contracted Base Revenue (Before Appreciation)			\$12,150,000	\$12,150,000	\$12,150,000	\$12,150,000	\$6,750,000	\$0	\$55,350,000
Semi-Annual Appreciation Factor	1.0000		1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	
Appreciated Contracted Home Revenue			\$12,150,000	\$12,150,000	\$12,150,000	\$12,150,000	\$6,750,000	\$0	\$55,350,000
Appreciated Closing Home Revenue			\$0	\$12,150,000	\$12,150,000	\$12,150,000	\$12,150,000	\$6,750,000	\$55,350,000
Lot Premium and Model Recapture Revenue			\$0	\$624,402	\$624,402	\$624,402	\$624,402	\$346,890	\$2,844,500
Total Revenue			\$0	\$12,774,402	\$12,774,402	\$12,774,402	\$12,774,402	\$7,096,890	\$58,194,500
EXPENSES AND CASH FLOWS									
Fixed or Percentage Expenses									
General and Administrative	2%		(\$193,982)	(\$193,982)	(\$193,982)	(\$193,982)	(\$193,982)	(\$193,982)	(\$1,163,890)
Marketing and Sales	5%		\$0	(\$638,720)	(\$638,720)	(\$638,720)	(\$638,720)	(\$354,845)	(\$2,909,725)
Ad Valorem Real Estate Taxes	\$3,815		(\$156,411)	(\$122,077)	(\$89,498)	(\$54,477)	(\$19,845)	\$0	(\$442,309)
Direct Real Estate Tax Charges	\$17		(\$697)	(\$544)	(\$391)	(\$238)	(\$85)	\$0	(\$1,955)
Co. of Orange CFD No. 2023-1 (Rienda Phase 2B)	\$6,664		(\$273,224)	(\$213,248)	(\$156,337)	(\$95,162)	(\$34,666)	\$0	(\$772,637)
Model Costs			(\$220,000)	\$0	\$0	\$0	\$0	\$0	(\$220,000)
Site Development Costs			\$0	\$0	\$0	\$0	\$0	\$0	\$0
Building Permits			(\$36,000)	(\$36,000)	(\$36,000)	(\$36,000)	(\$20,000)	\$0	(\$164,000)
Subtotal:			(\$880,314)	(\$1,204,571)	(\$1,114,928)	(\$1,018,579)	(\$907,298)	(\$548,826)	(\$5,674,516)
Appreciated Expenses									
Direct Construction Costs			(\$811,800)	(\$2,435,400)	(\$2,435,400)	(\$2,435,400)	(\$2,074,600)	(\$902,000)	(\$11,094,600)
Semi-Annual Appreciation Factor	1.0025		1.00000	1.00250	1.00501	1.00752	1.01004	1.01256	
Appreciated Direct Costs			(\$811,800)	(\$2,441,489)	(\$2,447,592)	(\$2,453,711)	(\$2,095,424)	(\$913,332)	(\$11,163,347)
Indirect Construction Costs	15%		(\$121,770)	(\$366,223)	(\$367,139)	(\$368,057)	(\$314,314)	(\$137,000)	(\$1,674,502)
Subtotal:			(\$933,570)	(\$2,807,712)	(\$2,814,731)	(\$2,821,768)	(\$2,409,738)	(\$1,050,331)	(\$12,837,849)
Total Expenses			(\$1,813,884)	(\$4,012,283)	(\$3,929,659)	(\$3,840,347)	(\$3,317,036)	(\$1,599,157)	(\$18,512,366)
NET INCOME BEFORE DEVELOPER'S INCENTIVE			(\$1,813,884)	\$8,762,120	\$8,844,743	\$8,934,056	\$9,457,367	\$5,497,733	\$39,682,134
Present Value Factor									
Internal Rate of Return (IRR)	13.00%		0.93897	0.88166	0.82785	0.77732	0.72988	0.68533	
Discounted Cash Flow			(\$1,703,178)	\$7,725,204	\$7,322,113	\$6,944,648	\$6,902,751	\$3,767,784	\$30,959,322
Net Present Value									\$30,960,000
									Net Present Value Per Unit (Rounded):
									\$378,000

Land Residual Analysis - MR-24 / Flora (All Age - Detached Alley)								
	Semi-Annual:	0	1	2	3	4	5	Total
REVENUE AND SALES								
Sales - Detached		0	20	20	20	9	0	69
Unsold Inventory		69	49	29	9	0	0	
Close of Escrow (COE)		0	0	20	20	20	9	69
Pending/Under Construction		0	20	60	60	49	18	
Under Construction by %			9.7%	29.0%	29.0%	23.7%	8.7%	100.0%
Unclosed Inventory			69	49	29	9	0	
Contracted Base Revenue (Before Appreciation)			\$16,700,000	\$16,700,000	\$16,700,000	\$7,515,000	\$0	\$57,615,000
Semi-Annual Appreciation Factor	1.0000		1.00000	1.00000	1.00000	1.00000	1.00000	
Appreciated Contracted Home Revenue			\$16,700,000	\$16,700,000	\$16,700,000	\$7,515,000	\$0	\$57,615,000
Appreciated Closing Home Revenue			\$0	\$16,700,000	\$16,700,000	\$16,700,000	\$7,515,000	\$57,615,000
Lot Premium and Model Recapture Revenue			\$0	\$854,783	\$854,783	\$854,783	\$384,652	\$2,949,000
Total Revenue			\$0	\$17,554,783	\$17,554,783	\$17,554,783	\$7,899,652	\$60,564,000
EXPENSES AND CASH FLOWS								
Fixed or Percentage Expenses								
General and Administrative	2%		(\$242,256)	(\$242,256)	(\$242,256)	(\$242,256)	(\$242,256)	(\$1,211,280)
Marketing and Sales	5%		\$0	(\$877,739)	(\$877,739)	(\$877,739)	(\$394,983)	(\$3,028,200)
Ad Valorem Real Estate Taxes		\$4,906	(\$169,244)	(\$120,188)	(\$72,554)	(\$22,517)	\$0	(\$384,502)
Direct Real Estate Tax Charges		\$17	(\$587)	(\$417)	(\$247)	(\$77)	\$0	(\$1,326)
Co. of Orange CFD No. 2023-1 (Rienda Phase 2B)		\$8,281	(\$285,695)	(\$202,885)	(\$122,476)	(\$38,010)	\$0	(\$649,065)
Model Costs			(\$195,000)	\$0	\$0	\$0	\$0	(\$195,000)
Site Development Costs			\$0	\$0	\$0	\$0	\$0	\$0
Building Permits			(\$64,000)	(\$64,000)	(\$64,000)	(\$28,800)	\$0	(\$220,800)
Subtotal:			(\$956,781)	(\$1,507,484)	(\$1,379,272)	(\$1,209,398)	(\$637,239)	(\$5,690,173)
Appreciated Expenses								
Direct Construction Costs			(\$1,117,900)	(\$3,353,700)	(\$3,353,700)	(\$2,738,855)	(\$1,006,110)	(\$11,570,265)
Semi-Annual Appreciation Factor	1.0025		1.00000	1.00250	1.00501	1.00752	1.01004	
Appreciated Direct Costs			(\$1,117,900)	(\$3,362,084)	(\$3,370,489)	(\$2,759,448)	(\$1,016,209)	(\$11,626,130)
Indirect Construction Costs	15%		(\$167,685)	(\$504,313)	(\$505,573)	(\$413,917)	(\$152,431)	(\$1,743,920)
Subtotal:			(\$1,285,585)	(\$3,866,397)	(\$3,876,063)	(\$3,173,365)	(\$1,168,640)	(\$13,370,050)
Total Expenses			(\$2,242,366)	(\$5,373,881)	(\$5,255,335)	(\$4,382,763)	(\$1,805,879)	(\$19,060,223)
NET INCOME BEFORE DEVELOPER'S INCENTIVE			(\$2,242,366)	\$12,180,902	\$12,299,448	\$13,172,019	\$6,093,773	\$41,503,777
Present Value Factor								
Internal Rate of Return (IRR)	13.00%		0.93897	0.88166	0.82785	0.77732	0.72988	
Discounted Cash Flow			(\$2,105,508)	\$10,739,405	\$10,182,087	\$10,238,915	\$4,447,728	\$33,502,628
Net Present Value								\$33,500,000
								Net Present Value Per Unit (Rounded): \$486,000

Land Residual Analysis - MR-25 / Bloom (All Age - Detached Alley)									
	Semi-Annual:	0	1	2	3	4	5	6	Total
REVENUE AND SALES									
Sales - Detached		0	19	19	19	19	6	0	82
Unsold Inventory		82	63	44	25	6	0	0	
Close of Escrow (COE)		0	0	19	19	19	19	6	82
Pending/Under Construction		0	19	57	57	57	44	12	
Under Construction by %			7.7%	23.2%	23.2%	23.2%	17.9%	4.9%	100.0%
Undlosed Inventory			82	63	44	25	6	0	
Contracted Base Revenue (Before Appreciation)			\$17,480,000	\$17,480,000	\$17,480,000	\$17,480,000	\$5,520,000	\$0	\$75,440,000
Semi-Annual Appreciation Factor		1.0000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	
Appreciated Contracted Home Revenue			\$17,480,000	\$17,480,000	\$17,480,000	\$17,480,000	\$5,520,000	\$0	\$75,440,000
Appreciated Closing Home Revenue			\$0	\$17,480,000	\$17,480,000	\$17,480,000	\$17,480,000	\$5,520,000	\$75,440,000
Lot Premium and Model Recapture Revenue			\$0	\$901,573	\$901,573	\$901,573	\$901,573	\$284,707	\$3,891,000
Total Revenue			\$0	\$18,381,573	\$18,381,573	\$18,381,573	\$18,381,573	\$5,804,707	\$79,331,000
EXPENSES AND CASH FLOWS									
Fixed or Percentage Expenses									
General and Administrative	2%		(\$264,437)	(\$264,437)	(\$264,437)	(\$264,437)	(\$264,437)	(\$264,437)	(\$1,586,620)
Marketing and Sales	5%		\$0	(\$919,079)	(\$919,079)	(\$919,079)	(\$919,079)	(\$290,235)	(\$3,966,550)
Ad Valorem Real Estate Taxes	\$5,099		(\$209,054)	(\$160,615)	(\$114,419)	(\$65,011)	(\$15,915)	\$0	(\$565,012)
Direct Real Estate Tax Charges	\$17		(\$697)	(\$536)	(\$374)	(\$213)	(\$51)	\$0	(\$1,870)
Co. of Orange CFD No. 2023-1 (Rienda Phase 2B)	\$8,883		(\$364,203)	(\$279,815)	(\$199,335)	(\$113,258)	(\$27,726)	\$0	(\$984,336)
Model Costs			(\$340,000)	\$0	\$0	\$0	\$0	\$0	(\$340,000)
Site Development Costs			\$0	\$0	\$0	\$0	\$0	\$0	\$0
Building Permits			(\$60,800)	(\$60,800)	(\$60,800)	(\$60,800)	(\$19,200)	\$0	(\$262,400)
Subtotal:			(\$1,239,190)	(\$1,685,280)	(\$1,558,443)	(\$1,422,797)	(\$1,246,407)	(\$554,672)	(\$7,706,788)
Appreciated Expenses									
Direct Construction Costs			(\$1,143,167)	(\$3,429,500)	(\$3,429,500)	(\$3,429,500)	(\$2,647,333)	(\$722,000)	(\$14,801,000)
Semi-Annual Appreciation Factor		1.0025	1.00000	1.00250	1.00501	1.00752	1.01004	1.01256	
Appreciated Direct Costs			(\$1,143,167)	(\$3,438,074)	(\$3,446,669)	(\$3,455,286)	(\$2,673,906)	(\$731,070)	(\$14,888,171)
Indirect Construction Costs	15%		(\$171,475)	(\$515,711)	(\$517,000)	(\$518,293)	(\$401,086)	(\$109,661)	(\$2,233,226)
Subtotal:			(\$1,314,642)	(\$3,953,785)	(\$3,963,669)	(\$3,973,578)	(\$3,074,992)	(\$840,731)	(\$17,121,397)
Total Expenses			(\$2,553,832)	(\$5,639,065)	(\$5,522,112)	(\$5,396,375)	(\$4,321,399)	(\$1,395,403)	(\$24,828,185)
NET INCOME BEFORE DEVELOPER'S INCENTIVE			(\$2,553,832)	\$12,742,509	\$12,859,461	\$12,985,198	\$14,060,175	\$4,409,305	\$54,502,815
Present Value Factor									
Internal Rate of Return (IRR)		15.00%	0.93023	0.86533	0.80496	0.74880	0.69656	0.64796	
Discounted Cash Flow			(\$2,375,658)	\$11,026,508	\$10,351,359	\$9,723,323	\$9,793,736	\$2,857,060	\$41,376,328
Net Present Value									\$41,380,000 \$505,000

Land Residual Analysis - MR-28 / Heatherly (All Age - Detached Alley)										
	Semi-Annual:	0	1	2	3	4	5	6	7	Total
REVENUE AND SALES										
Sales - Detached		0	15	15	15	15	15	7	0	82
Unsold Inventory		82	67	52	37	22	7	0	0	
Close of Escrow (COE)		0	0	15	15	15	15	15	7	82
Pending/Under Construction		0	15	45	45	45	45	37	14	
Under Construction by %			6.1%	18.3%	18.3%	18.3%	18.3%	15.0%	5.7%	100.0%
Unclosed Inventory			82	67	52	37	22	7	0	
Contracted Base Revenue (Before Appreciation)			\$14,625,000	\$14,625,000	\$14,625,000	\$14,625,000	\$14,625,000	\$6,825,000	\$0	\$79,950,000
Semi-Annual Appreciation Factor	1.0000		1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	
Appreciated Contracted Home Revenue			\$14,625,000	\$14,625,000	\$14,625,000	\$14,625,000	\$14,625,000	\$6,825,000	\$0	\$79,950,000
Appreciated Closing Home Revenue			\$0	\$14,625,000	\$14,625,000	\$14,625,000	\$14,625,000	\$14,625,000	\$6,825,000	\$79,950,000
Lot Premium and Model Recapture Revenue			\$0	\$747,576	\$747,576	\$747,576	\$747,576	\$747,576	\$348,869	\$4,086,750
Total Revenue			\$0	\$15,372,576	\$15,372,576	\$15,372,576	\$15,372,576	\$15,372,576	\$7,173,869	\$84,036,750
EXPENSES AND CASH FLOWS										
Fixed or Percentage Expenses										
General and Administrative	2%		(\$240,105)	(\$240,105)	(\$240,105)	(\$240,105)	(\$240,105)	(\$240,105)	(\$240,105)	(\$1,680,735)
Marketing and Sales	5%		\$0	(\$768,629)	(\$768,629)	(\$768,629)	(\$768,629)	(\$768,629)	(\$358,693)	(\$4,201,838)
Ad Valorem Real Estate Taxes	\$4,998		(\$204,911)	(\$167,427)	(\$132,543)	(\$94,309)	(\$57,197)	(\$18,199)	\$0	(\$674,586)
Direct Real Estate Tax Charges	\$17		(\$697)	(\$570)	(\$442)	(\$315)	(\$187)	(\$62)	\$0	(\$2,272)
Co. of Orange CFD No. 2023-1 (Rienda Phase 2B)	\$9,631		(\$394,871)	(\$322,639)	(\$255,414)	(\$181,737)	(\$110,221)	(\$35,070)	\$0	(\$1,299,952)
Model Costs			(\$255,000)	\$0	\$0	\$0	\$0	\$0	\$0	(\$255,000)
Site Development Costs			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Building Permits			(\$48,000)	(\$48,000)	(\$48,000)	(\$48,000)	(\$48,000)	(\$22,400)	\$0	(\$262,400)
Subtotal:			(\$1,143,584)	(\$1,547,369)	(\$1,445,132)	(\$1,333,094)	(\$1,224,339)	(\$1,084,465)	(\$598,798)	(\$8,376,783)
Appreciated Expenses										
Direct Construction Costs			(\$1,051,575)	(\$3,154,725)	(\$3,154,725)	(\$3,154,725)	(\$3,154,725)	(\$2,593,885)	(\$981,470)	(\$17,245,830)
Semi-Annual Appreciation Factor	1.0025		1.00000	1.00250	1.00501	1.00752	1.01004	1.01256	1.01509	
Appreciated Direct Costs			(\$1,051,575)	(\$3,162,612)	(\$3,170,518)	(\$3,178,445)	(\$3,186,391)	(\$2,626,471)	(\$996,284)	(\$17,372,296)
Indirect Construction Costs	15%		(\$157,736)	(\$474,392)	(\$475,578)	(\$476,767)	(\$477,959)	(\$393,971)	(\$149,443)	(\$2,605,844)
Subtotal:			(\$1,209,311)	(\$3,637,004)	(\$3,646,096)	(\$3,655,211)	(\$3,664,349)	(\$3,020,442)	(\$1,145,727)	(\$19,978,140)
Total Expenses			(\$2,352,895)	(\$5,184,373)	(\$5,091,229)	(\$4,988,306)	(\$4,888,688)	(\$4,104,907)	(\$1,744,525)	(\$28,354,923)
NET INCOME BEFORE DEVELOPER'S INCENTIVE			(\$2,352,895)	\$10,188,203	\$10,281,348	\$10,384,270	\$10,483,888	\$11,267,669	\$5,429,343	\$55,681,827
Present Value Factor										
Internal Rate of Return (IRR)	15.00%		0.93023	0.86533	0.80496	0.74880	0.69656	0.64796	0.60275	
Discounted Cash Flow			(\$2,188,740)	\$8,816,185	\$8,276,079	\$7,775,747	\$7,302,643	\$7,301,016	\$3,272,563	\$40,555,494
Net Present Value										\$40,560,000
										Net Present Value Per Unit (Rounded): \$495,000

Land Residual Conclusion

Planning Area / Project Name	Market Segment / Product Type	Typical Lot Size	No. of Units	Typical Home Size	Finished Lot Value
MR-6 / Mariposa	All Age / Attached Back to Back Townhomes		106	1,482 (Plan 3)	\$355,000
MR-8 / Willow	All Age / Attached Row Townhomes		93	1,272 (Plan 2)	\$357,000
MR-11 / Juniper	All Age/ Detached Duplex		82	1,230 (Plan 2)	\$378,000
MR-24 / Flora	All Age / Detached Alley	1,260	69	1,597 (Plan 2)	\$486,000
MR-25 / Bloom	All Age / Detached Alley	2,150	82	1,805 (Plan 2)	\$505,000
MR-28 / Heatherly	All Age / Detached Alley	1,885	82	2,003 (Plan 2)	\$495,000

Sales Comparison Approach

Due to the lack of comparable bulk land sales in the subject's neighborhood and surrounding areas, we have arrayed available bulk land transactions as a test of reasonableness for the land residual conclusions. We searched for sale transactions within the following parameters:

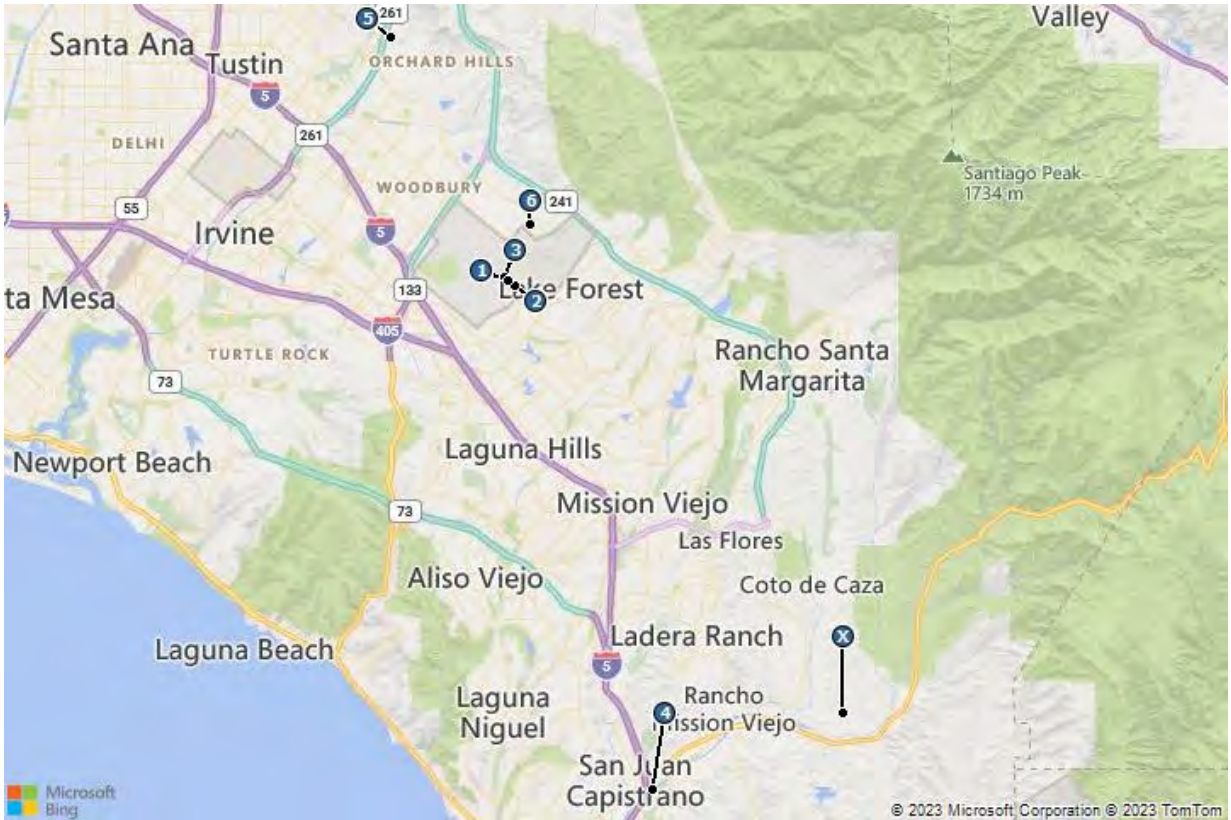
- Location: Orange County
- Typical Lot Size: less than 5,000 square feet
- Use: attached and detached housing
- Transaction Date: 2018 or later

For this analysis, we use price per lot as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis. The most relevant sales are summarized in the following tables and are presented on an improved lot basis, after consideration is given to remaining site development and impact fees.

The first table arrays sales of detached lots (both traditional and detached condominiums), while the second table reflects data applicable to the subject's attached condominiums and townhomes.

Summary of Comparable Land Sales - Detached						
No.	Name/Address	Sale Date; Status	Sale Price	Number of Lots	\$/Finished Lot	Site Dev. Costs/Lot
1	53 Lots Cadence Irvine Tax ID: Lots 1 thru 4, Lettered Lots A thru C Trt 19051 bk 988 pgs 17 thru 20 Lots 2, 3, 4, Le Grantor: Heritage Fields El Toro LLC Grantee: Pulte Home Co LLC Document ID: 0552650 <i>Comments: The 53 lots sold as part of a master planned community for \$33,300,000. The seller had entitled the land for single family home development prior to sale. The land sold in rough graded/ blue topped condition with all utilities to site. The Appraiser estimates site development costs of \$80,000 per lot.</i>	Sep-21 Closed	\$33,300,000	53	\$708,302	\$80,000
<i>There was no name for this community at time of sale. The first home closings are expected for Third Quarter 2022.</i>						
2	Restore Irvine Tax ID: Lots 1 thru 4, A thru C TRT MAP 19042 BK 989, PGS 17 THRU 20 Lots 1 thru 3, A thru Grantor: Heritage Fields El Toro LLC Grantee: Solis Village - Irvine LP Document ID: 0387184 <i>Comments: The 117 residential, blue top lots with all utilities assigned sold for \$30,901,000. The buyer is responsible for on-site in-tract improvements, which the Appraiser estimates at \$80,000/lot. They will build 66 2-story single family detached homes on 35x65 lots ranging in size from 2,085 to 2,250 sf and 51 3-story single family detached 3-pack homes ranging in size from 2,326 to 2,597 square feet. This property is part of Great Park Neighborhoods Development District 5 - North Master Plan.</i>	Jun-21 Closed	\$30,901,000	117	\$344,111	\$80,000
3	Ascent Pulte Homes Cadence Irvine Tax ID: Parcels 133A, 134A & D1 Lot Line Adj 771028-LL & Parcels 132B & A Lot Line Adj 7 Grantor: Heritage Fields El Toro LLC Grantee: Pulte Home Company, LLC Document ID: 21-355611 <i>Comments: The 4.39-acre site, which totals about 37 SFR Lots, sold for \$19,781,000 or \$4,505,923 per acre. The land sold in blue-top condition aka rough graded with all utilities to site. This is the second takedown for Pulte Homes and is part of the Ascent Community.</i>	Jun-21 Closed	\$19,781,000	37	\$614,622	\$80,000
4	Tirador - 132 Lots Calle Arroyo & Paseo Tirador San Juan Capistrano Tax ID: Lengthy legal, please refer to attached deed. Parcel Numbers 666-131-07,13, 14 a Grantor: San Juan Tirador LLC Grantee: Arroyo Cap II-1 LLC <i>Comments: The 13.08-acres sold for \$30,100,000 or \$52.84 per gross square foot. The sale price for the net 9.5 acres was \$72.74 per net square foot. The property sold as 132 residential lots with utilities to site. The buyer Landsea Homes, a publicly traded residential homebuilder, built Spanish and Farmhouse-style architecture with 43 two-story, detached homes and 89 three-story townhomes. It was reported that the 89 townhomes will offer three different floor plans that will range from 1,200 square feet to 1,900 square feet and will include options for two to three bedrooms and two to three-and-a-half bathrooms. Each townhome will come with a two-car garage and some floor plans will also include a den. Fourteen townhomes will be designated for moderate-income affordable units. Approximately 3.6 acres adjacent to San Juan Creek were to be dedicated as a conservation area.</i>	Apr-21 Closed	\$30,100,000	132	\$356,560	\$128,530
5	Padova at Orchard Hills Woody Knoll Irvine Tax ID: 527-331-08 through -10, 527-331-33 through -36, 527-332-18 through -34, -38, - Grantor: Irvine Community Development Company, LLC Grantee: Shea Homes LP Document ID: 0285424 <i>Comments: This is the sale of a 2.41-acre site comprising 23 residential lots in finished condition as part of a rolling takedown.</i>	Jun-20 Closed	\$15,324,000	23	\$666,261	\$0
6	Montara NEC Ceremony & Portola Springs Irvine Grantor: Irvine Community Development Grantee: CDB Investments, LP <i>Comments: Montara is a 104-unit detached condominium development. The project was developed on with a density of approximately 13.2 dwelling units per acre. The developer is California Pacific Homes. The finished price is \$485,617 per lot.</i>	May-18 Closed	\$50,504,158	104	\$485,617	\$0

Comparable Land Sales Map – Detached



The sales on the previous page range from \$344,111 to \$708,302 per finished lot. With a rapidly changing market, the land residual analysis is considered to be the most applicable approach to value. The sales comparison approach is typically a lagging indicator of value in a rapidly expansionary or contracting market. There has been a lack of recent lot sales within the region due to homebuilders taking a pause on buying more lots due to the recent rise in interest rates. Therefore, the land residual analysis is given the greatest emphasis in the valuation of the subject lots.

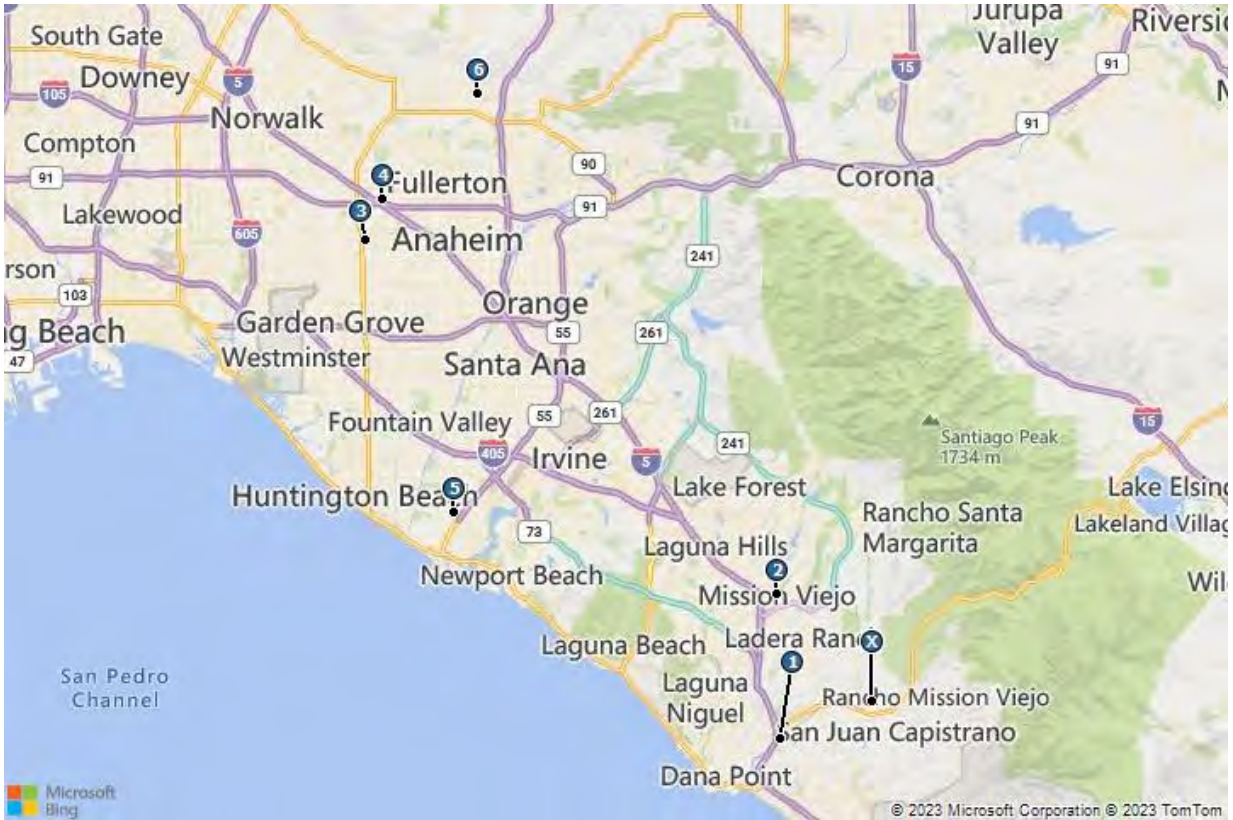
Our land residual conclusions fall within the comparable range and are considered reasonable. Further, all of subject properties have sold or are in contract to be sold. While details of each transaction have been provided for our review, they have been made confidential. Our value conclusions are supported by the contract prices of the subject properties.

The following pages include the comparable set used for the subject's attached products.

Summary of Comparable Land Sales - Attached						
No.	Name/Address	Sale Date; Status	Sale Price	Number of Lots/Units	\$/Finished Lot	Site Dev. Costs/Lot
1	Tirador - 132 Lots Calle Arroyo & Paseo Tirador San Juan Capistrano Tax ID: Lengthy legal, please refer to attached deed. Parcel Numbers 666-131-07,13, 14 and 32 Grantor: San Juan Tirador LLC Grantee: Arroyo Cap II-1 LLC Document ID: 21-0240480 <i>Comments: The 13.08-acres sold for \$30,100,000 or \$52.84 per gross square foot. The sale price for the net 9.5 acres was \$72.74 per net square foot. The property sold as 132 residential lots with utilities to site. The buyer Landsea Homes, a publicly traded residential homebuilder, built Spanish and Farmhouse-style architecture with 43 two-story, detached homes and 89 three-story townhomes. It was reported that the 89 townhomes will offer three different floor plans that will range from 1,200 square feet to 1,900 square feet and will include options for two to three bedrooms and two to three-and-a-half bathrooms. Each townhome will come with a two-car garage and some floor plans will also include a den. Fourteen townhomes will be designated for moderate-income affordable units. Approximately 3.6 acres adjacent to San Juan Creek were to be dedicated as a conservation area.</i>	Apr-21 Closed	\$30,100,000	132	\$356,560	\$128,530
2	N/S Los Alisos Bl., SW/O Foothill Trans. Corr. Mission Viejo Tax ID: Portion of 839-161-12 & 16 Grantor: M.F. Mission Viejo, LLC Grantee: Shea Homes Limited Partnership Document ID: 20-485320 <i>Comments: This is the sale of a 4.12-acre or 179,293-square foot parcel located along the north side of Los Alisos Boulevard, southwest of the Foothill Transportation Corridor in the city of Mission Viejo. Land uses within proximity include a community shopping center to the west, a hotel to the east, single family residential to the south and open space including the Upper Oso Reservoir to the north. The parcel is irregular in shape, characterized by level topography and is served by electric, water, gas, sewer and telephone utilities. The parcel is zoned RPD 30, Residential Planned Development Zone, and is entitled with a tract map for the development of 60 townhomes, representing development density 14.6 units per acre. The project, City Lane Townhomes, built by Shea Homes.</i> <i>The property was sold in September 2020 at a sale price of \$9,900,000, which is equivalent to \$55.22 per square foot or \$165,000 per potential dwelling unit.</i>	Sep-20 Closed	\$9,900,000	60	\$265,000	\$100,000
3	Nolin Beach Blvd. Anaheim Tax ID: N/Av Grantor: Greenlaw 39 Commons Grantee: Landsea Homes <i>Comments: Landsea Homes planned to construct 65 townhomes ranging in size from 1,134 to 1,975 square feet. Pricing is expected to range from \$522,000 to \$685,000. Finishing costs are estimated at \$103,457 per unit.</i>	Aug-20 Closed	\$10,825,000	65	\$269,995	\$103,457
4	Orangethorpe & Magnolia 8925 Orangethorpe Ave Buena Park Tax ID: Lots 1 thru 14 A, B, AA THRU KK Trt 17667 bk 986 pgs 23 thru 29; APN: 070-712-22 Grantor: Orangethorpe Recovery Acquisition LLC Grantee: KB Home Coastal, Inc. <i>Comments: The 5.6-acre site sold to KB Home Coastal, Inc. for \$22.9 million, or \$93.88 per square foot of land. The property was acquired with the intent of demolishing the structure and redeveloping the land with 108 townhomes. Demolition costs of \$516,600 were applied to the sale price bringing the effective sale price to \$23,416,600, or \$95.99 per square foot of land. The former AT&T data center site is fully entitled with about 98% of the engineering in place and there is an approved tentative tract map for 108 townhomes with 19 dwelling units per acre. The site is located within the Fullerton Municipal Airport (FMA) Planning Area, just north of the site, and went before the Airport Land Use Commission with respect to aircraft noise, building heights, and the development of heliports. The project does not fall within 60-65 dBA CNEL noise contours; however, the project site is within the arrival and departure path for helicopter noise abatement. Additionally, the project height does not penetrate the height limitation of 246 above mean sea level (AMSL). This well-located gated community will serve as an excellent opportunity to provide new housing in a high barrier to entry infill market.</i>	Jul-20 Closed	\$23,416,600	108	\$216,820	\$0
5	Twenty8 Walk 2089-2099 Harbor Blvd Costa Mesa Tax ID: FAIRVIEW FARMS LOT 20 POR OF LOT AS DESC IN DD -7683/543 OR- TR 247 Grantor: Red Mountain Asset Fund II, LLC Grantee: Olson Urban III-Costa Mesa 3, LLC Document ID: 0501738 <i>Comments: This is the sale of six parcels totaling 1.53 acres of vacant land sold in an investment sale on December 3, 2020 for \$6,000,000, or \$89.96 per square foot of land. The land is entitled for the development of 28 residential lots. The location is within walking distance of local amenities and within 5 miles of the Huntington Beach pier and 3 miles of the Newport Beach Pier. According to public record, no financing was provided. Strong traffic counts – over 55,000 CPD at the intersection and is in close proximity to Orange Coast College (over 25,000 students) and Vanguard University (over 4,000 students). The property is under construction in August 2021. Finishing costs with impact fees are estimated at \$130,000 per lot. Homes will be three-stories with small lots (2,000 SF) and zero lot line configurations.</i>	Dec-19 Closed	\$6,000,000	28	\$344,286	\$130,000
6	Central Park Villa 340-420 W. Central Ave. Brea Tax ID: 296-241-12 Grantor: Brea Central LLC Grantee: TH Brea Venture LLC <i>Comments: This is the sale of a 4.61-acre or 200,812-square foot parcel located at 420 West Central Avenue in the city of Brea. Land uses within proximity include a business park of office/warehouse buildings, an office building, Memory Garden Memorial Park, a shopping center, and the Crestmont Estates mobile home park. The parcel is irregular in shape, characterized by level topography and is served by electric, water, gas, sewer and telephone utilities. The parcel, which is a part of the Central Park Village Master Plan, was entitled by the seller with a tract map for the development of 81 residential units, representing development density 17.6 units per acre.</i> <i>The property was sold in April 2019 at a sale price of \$14,000,000, which is equivalent to \$69.72 per square foot or \$172,840 per</i>	Apr-19 Closed	\$14,000,000	81	\$281,061	\$108,221



Comparable Land Sales Map – Attached



The comparables range from \$216,820 to \$356,560 per finished lot/unit. The conclusions for the subject via the land residual analyses fall at the upper end of this range and are considered reasonable. Further, all of subject properties have sold. While details of each transaction have been provided for our review, they have been made confidential. Our value conclusions are supported by the contract prices of the subject properties.

Value by Ownership

The purpose of the appraisal is to provide an indication of market value by ownership. There are multiple components appraised which vary by ownership entity. In this section, the previously concluded component 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.

In light of the fact the merchant builders 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, of the various single-family residential lot categories previously estimated. It is noted, as of the effective appraisal date, while all lots are under contract to be acquired by merchant builders, the master developer stills holds title to some of these lots. Similar to the merchant builder holdings, the master developer holdings at 47 lots could sell to a single buyer within 12 months; thus, no additional discounting is necessary.

We have also considered remaining site development costs as provided by each homebuilder as of the date of value, summarized as follows:

Site Development Cost Summary

Planning Area	Builder	Market Segment / Product Type	No. of Units	Total Site Development Costs	Current Condition	Remaining Site Development Costs
MR-6	Lennar	All Age Attached Back to Back Townhomes	106	\$ 4,646,711.00 \$43,837 /lot	Partially-Improved Lots	\$ 654,820.75 \$6,178 /lot
MR-8	Trumark	All Age Attached Row Townhomes	93	\$ 13,234,996.00 \$142,312 /lot	Partially-Improved Lots	\$ 4,677,215.75 \$50,293 /lot
MR-11	Pulte	All Age SFD - Duplex	82	\$ 5,835,284.00 \$71,162 /lot	Partially-Improved Lots	\$ 2,756,102.95 \$33,611 /lot
MR-24	Lennar	All Age SFD Alley (30' x 42')	69	\$ 5,021,770.00 \$72,779 /lot	Partially-Improved Lots	\$ 483,664.95 \$7,010 /lot
MR-25	Shea	All Age SFD Alley (43' x 50')	82	\$ 5,979,162.00 \$72,917 /lot	Partially-Improved Lots	\$ 3,849,651.75 \$46,947 /lot
MR-28	TriPointe	All Age SFD Alley (31' - 34' x 58')	82	\$ 5,241,898.00 \$63,926 /lot	Partially-Improved Lots	\$ 3,446,095.55 \$42,026 /lot

In addition, remaining off-site cost obligations associated with Planning Area 3.2B/Phase 2B equate to \$13,076,304, net of estimated CFD No. 2023-1 County of Orange Bond Proceeds. In addition, the Master Developer has a fee credit agreement with the County for the TCA Impact Fees with the County, in which the credit balance more than off-sets the remaining TCA Impact Fees of \$3,011,180 as of the effective appraisal date.

The Master Developer is responsible for the remaining costs a contractual obligation (\$10,065,124), net of CFD eligible infrastructure costs and impact fee credits. However, for valuation purposes and given the fact the majority of the District properties are now held by homebuilders, it is appropriate to reflect these remaining off-site cost obligations as a deduction across the total 514 units, as these

costs benefit all the units appraised. The pro-rata deduction for the remaining off-site cost obligations is approximately \$19,581.95 per unit (\$10,065,124 divided by 514 total units), as detailed in the following table.

Off-Site Cost Obligations						
Improvements	Budget	Spent to Date	Remaining Costs	CFD Eligible Costs	Remaining Non CFD Eligible Costs	
Major Infrastructure						
Cow Camp Road	\$ 9,947,000	\$ 9,947,000	\$ -	\$ 9,947,000	\$ -	
Gibby Bridge and Roadway	39,892,000	34,966,930	4,925,070	39,892,000	-	
County Flood Control Basin	16,805,000	-	16,805,000	16,805,000	-	
Zone B Pump Station	4,250,000	97,800	4,152,200	4,250,000	-	
Water Quality Basin	1,823,000	-	1,823,000	1,823,000	-	
Total Major Infrastructure	\$ 72,717,000	\$ 45,011,730	\$ 27,705,270	\$ 72,717,000	\$ -	
Development Costs						
Design/Engineering/Fees/Bonds (Project Soft Costs)	\$ 3,762,739	\$ 2,475,112	\$ 1,287,627	\$ -	\$ 1,287,627	
Grading/Storm Drain	15,814,748	13,451,703	2,363,045	2,847,547	(484,502)	
Streets/Wet + Dry Utilities	4,787,624	2,305,224	2,482,400	4,840,453	-	
Landscape/Hardscape	4,469,631	2,034,157	2,435,474	-	2,435,474	
Parks/Trails	2,041,685	1,139,910	901,775	-	901,775	
Amenities/Clubhouses	4,996,875	880,479	4,116,396	-	4,116,396	
Indirect Construction Costs	-	-	-	-	-	
Impact Fees						
OCFA (Fire Station)	5,800,000	5,800,000	-	5,078,000	-	
Impact Fees (TCA, SMWD, Library)	5,613,862	794,328	4,819,534	-	4,819,534	
Total Development Costs	\$ 47,287,164	\$ 28,880,913	\$ 18,406,251	\$ 12,766,000	\$ 13,076,304	
TCA Impact Fee Credit					\$ (3,011,180)	
Grand Total	\$ 120,004,164	\$ 73,892,643	\$ 46,111,521	\$ 85,483,000	\$ 10,065,124	

The following table summarizes the market value by ownership.

Value by Ownership								
Ownership	Planning Area	Market Segment	Product Type	No. of Units	Concluded Finished Lot Value	Less: Remaining Site Development Costs	Lot Value as of Date of Value	Extension
RMV PA3 Development, LLC (Master Developer)								
	<u>Value of Finished Lots</u>							
	MR-11	All Age	Detached Duplex	<u>42</u>	\$378,000	\$33,611	\$344,389	\$14,464,338
				42				\$14,464,338
				42	@ per unit of: \$19,581.95			<u>(\$822,442)</u>
								\$13,641,895
RMV PA3 Development, LLC Total				42			Rounded	\$13,640,000
AG EHC II (LEN) CA 3, LP (Angelo Gordon, Lennar's Land Bank)								
	<u>Value of Finished Lots</u>							
	MR-6	All Age	Attached Back to Back Townhomes	106	\$355,000	\$6,178	\$348,822	\$36,975,179
	MR-24	All Age	Detached Alley	<u>69</u>	\$486,000	\$7,010	\$478,990	\$33,050,335
				175				\$70,025,514
				175	@ per unit of: \$19,581.95			<u>(\$3,426,842)</u>
								\$66,598,672
AG EHC II (LEN) CA 3, LP Total				175			Rounded	\$66,600,000
RMV MR28 – Mission Viejo LP (Hearthstone, TriPointe's Land Bank)								
	<u>Value of Finished Lots</u>							
	MR-28	All Age	Detached Alley	<u>82</u>	\$495,000	\$42,026	\$452,974	\$37,143,904
				82				\$37,143,904
				82	@ per unit of: \$19,581.95			<u>(\$1,605,720)</u>
								\$35,538,184
RMV MR28 – Mission Viejo LP Total				82			Rounded	\$35,540,000
TH Rancho Mission Viejo MR 8, LLC (Truemark)								
	<u>Value of Finished Lots</u>							
	MR-8	All Age	Attached Row Townhomes	<u>93</u>	\$357,000	\$50,293	\$306,707	\$28,523,784
				93				\$28,523,784
				93	@ per unit of: \$19,581.95			<u>(\$1,821,122)</u>
								\$26,702,663
TH Rancho Mission Viejo MR 8, LLC Total				93			Rounded	\$26,700,000
Pulte Home Company, LLC (Pulte)								
	<u>Value of Finished Lots</u>							
	MR-11	All Age	Detached Duplex	<u>40</u>	\$378,000	\$33,611	\$344,389	\$13,775,560
				40				\$13,775,560
				40	@ per unit of: \$19,581.95			<u>(\$783,278)</u>
								\$12,992,281
Pulte Home Company, LLC Total				40			Rounded	\$12,990,000
Shea Homes LP (Shea)								
	<u>Value of Finished Lots</u>							
	MR-25	All Age	Detached Alley	<u>82</u>	\$505,000	\$46,947	\$458,053	\$37,560,348
				82				\$37,560,348
				82	@ per unit of: \$19,581.95			<u>(\$1,605,720)</u>
								\$35,954,628
Shea Homes LP Total				82			Rounded	\$35,950,000

Conclusion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusions			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value by Ownership, Subject to a Hypothetical Condition	Fee Simple	August 31, 2023	
RMV PA3 Development, LLC (Master Developer)			\$13,640,000
AG EHC II (LEN) CA 3, LP (Angelo Gordon, Lennar's Land Bank)			\$66,600,000
RMV MR28 – Mission Viejo LP (Hearthstone, TriPointe's Land Bank)			\$35,540,000
TH Rancho Mission Viejo MR 8, LLC (Truemark)			\$26,700,000
Pulte Home Company, LLC (Pulte)			\$12,990,000
Shea Homes LP (Shea)			\$35,950,000
Aggregate Total			\$191,420,000

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.

None

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

1. Certain proceeds from the CFD Bonds will be used to reimburse and finance infrastructure improvements and certain impact fees paid. The market values estimated herein are subject to the hypothetical condition certain authorized public improvements to be funded by proceeds from the County of Orange CFD No. 2023-1 Bonds are completed. The estimates of market value account for the impact of lien of the Special Taxes securing the CFD 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 each of the owner's properties separately 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 not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
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. Kevin Ziegenmeyer, MAI, made a personal inspection of the property that is the subject of this report. Eric Segal, MAI, has personally inspected the subject. Sara Gilbertson, MAI, has not personally inspected the subject.
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, Eric Segal, MAI, and Sara Gilbertson, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.

15.



Kevin Ziegenmeyer, MAI
Certified General Real Estate Appraiser
California Certificate # AG013567



Eric Segal, MAI
Certified General Real Estate Appraiser
California Certificate # AG026558



Sara Gilbertson, MAI
Certified General Real Estate Appraiser
California Certificate # 3002204

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.
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.

None

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

1. Certain proceeds from the CFD Bonds will be used to reimburse and finance infrastructure improvements and certain impact fees paid. The market values estimated herein are subject to the hypothetical condition certain authorized public improvements to be funded by proceeds from the County of Orange CFD No. 2023-1 Bonds are completed. The estimates of market value account for the impact of lien of the Special Taxes securing the CFD Bonds.
-

Addendum A

Appraiser Qualifications

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 state of California, and Northern Nevada. Mr. Ziegenmeyer handles many of the firm's master-planned property appraisals and over the past two decades has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In fact, Mr. Ziegenmeyer was one of five appraisers to collaborate with other professionals in developing the appraisal guidelines for the California Debt and Investment Advisory Commission (Recommended Practices in the Appraisal of Real Estate for Land-Secured Financing - 2004). 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 and counties of San Francisco, Dublin, Monterey, Newport Beach, Alameda, Napa and San Mateo. 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, California Certified General Real Estate Appraiser, AG013567, Expires June 2025

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 (Yellowbook)

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

kziegenmeyer@irr.com - 916.435.3883 x224

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F 916.435.4774

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Kevin Ziegenmeyer, MAI

Education (Cont'd)

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
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

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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, 2023
Date Expires: June 4, 2025

Angela Jemmotz
Angela Jemmotz, Bureau Chief, BREA

3070756

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 as well as Integra-Sacramento office.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

Licenses

California, Certified General Real Estate Appraiser, AG026558, Expires February 2025

Nevada, Certified General, A.0207666-CG, Expires January 2025

Arizona, Certified General, CGA - 1006422, Expires January 2024

Washington, Certified General, 20100611, Expires June 2025

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

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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, 2023
Date Expires: February 18, 2025

Angela Jemmott
Angela Jemmott, Bureau Chief, BREA

3069186

Sara Gilbertson, MAI

Experience

Ms. Gilbertson 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. After completing her bachelor's degree at California State University, Sacramento, Ms. Gilbertson began her career in real estate as a research analyst/appraiser trainee for Seevers Jordan Ziegenmeyer in 2011. She has experience in writing narrative appraisal reports covering a variety of commercial properties, as well as special use properties including self-storage facilities, hotels and mobile home parks. She also specialized in the appraisal of residential master planned communities and subdivision, as well as Mello Roos and Assessment Districts for land secured municipal financings. Ms. Gilbertson has developed the experience and background necessary to deal with complex assignments covering an array of property types.

Licenses

California, California Certified General Real Estate Appraiser, 3002204, Expires May 2024

Education

Academic:

Bachelor of Science in Business Administration (Concentration in Real Estate and Land Development), California State University, Sacramento

Appraisal Institute Courses:

Basic Appraisal Principles

Basic Appraisal Procedures

Uniform Standards of Professional Appraisal Practice

Real Estate Finance and Statistics and Valuation Modeling

Sales Comparison Approach

Report Writing and Case Studies

Market Analysis and Highest and Best Use

Site Valuation and Cost Approach

Basic Income Capitalization

Federal and California Statutory and Regulator Laws

Quantitative Analysis

Business Practices and Ethics

Advanced Market Analysis and Highest and Best Use

Advanced Income Capitalization

Advanced Concepts and Case Studies

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Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Sara A. Gilbertson

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3002204

Effective Date: May 30, 2022
Date Expires: May 29, 2024

Loretta Dillon

Loretta Dillon, Deputy Bureau Chief, BREA

3062390

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!

irr.com



Addendum B

IRR Quality Assurance Survey

IRR Quality Assurance Survey

We welcome your feedback!

At IRR, providing a quality work product and delivering on time is what we strive to accomplish. Our local offices are determined to meet your expectations. Please reach out to your local office contact so they can resolve any issues.

Integra Quality Control Team

Integra does have a Quality Control Team that responds to escalated concerns related to a specific assignment as well as general concerns that are unrelated to any specific assignment. We also enjoy hearing from you when we exceed expectations! You can communicate with this team by clicking on the link below. If you would like a follow up call, please provide your contact information and a member of this Quality Control Team will call contact you.

Link to the IRR Quality Assurance Survey: quality.irr.com

Addendum C

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 D
Preliminary Title Reports



LOAN POLICY OF TITLE INSURANCE

ISSUED BY

First American Title Insurance Company

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Section 17 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a Nebraska corporation (the "Company") insures as of Date of Policy and, to the extent stated in Covered Risks 11, 13, and 14, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
 - (a) A defect in the Title caused by
 - (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
 - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
 - (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (vii) a defective judicial or administrative proceeding.
 - (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
 - (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (a) the occupancy, use, or enjoyment of the Land;
 - (b) the character, dimensions, or location of any improvement erected on the Land;
 - (c) the subdivision of land; or
 - (d) environmental protection
 if a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. The invalidity or unenforceability of the lien of the Insured Mortgage upon the Title. This Covered Risk includes but is not limited to insurance against loss from any of the following impairing the lien of the Insured Mortgage
 - (a) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (b) failure of any person or Entity to have authorized a transfer or conveyance;
 - (c) the Insured Mortgage not being properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (d) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (e) a document executed under a falsified, expired, or otherwise invalid power of attorney;
10. The lack of priority of the lien of the Insured Mortgage upon the Title over any other lien or encumbrance.
11. The lack of priority of the lien of the Insured Mortgage upon the Title
 - (a) as security for each and every advance of proceeds of the loan secured by the Insured Mortgage over any statutory lien for services, labor, or material arising from construction of an improvement or work related to the Land when the improvement or work is either
 - (i) contracted for or commenced on or before Date of Policy; or
 - (ii) contracted for, commenced, or continued after Date of Policy if the construction is financed, in whole or in part, by proceeds of the loan secured by the Insured Mortgage that the Insured has advanced or is obligated on Date of Policy to advance; and
 - (b) over the lien of any assessments for street improvements under construction or completed at Date of Policy.
12. The invalidity or unenforceability of any assignment of the Insured Mortgage, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the Insured Mortgage in the named Insured assignee free and clear of all liens.
13. The invalidity, unenforceability, lack of priority, or avoidance of the lien of the Insured Mortgage upon the Title
 - (a) resulting from the avoidance in whole or in part, or from a court order providing an alternative remedy, of any transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction creating the lien of the Insured Mortgage because that prior transfer constituted a fraudulent or preferential transfer under **federal bankruptcy, state insolvency, or similar creditors' rights laws**; or
 - (b) because the Insured Mortgage constitutes a preferential transfer under **federal bankruptcy, state insolvency, or similar creditors' rights laws** by reason of the failure of its recording in the Public Records
 - (i) to be timely, or
 - (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
14. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 13 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the Insured Mortgage in the Public Records.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this policy, but only to the extent provided in the Conditions.

First American Title Insurance Company

Kenneth D. DeGiorgio, President

Lisa W. Cornehl, Secretary

Attachment D

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection; or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or **similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is**
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

- (a) **"Amount of Insurance":** The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b) or decreased by Section 10 of these Conditions.
- (b) **"Date of Policy":** The date designated as "Date of Policy" in Schedule A.
- (c) **"Entity":** A corporation, partnership, trust, limited liability company, or other similar legal entity.
- (d) **"Indebtedness":** The obligation secured by the Insured Mortgage including one evidenced by electronic means authorized by law, and if that obligation is the payment of a debt, the Indebtedness is the sum of
 - (i) the amount of the principal disbursed as of Date of Policy;
 - (ii) the amount of the principal disbursed subsequent to Date of Policy;
 - (iii) the construction loan advances made subsequent to Date of Policy for the purpose of financing in whole or in part the construction of an improvement to the Land or related to the Land that the Insured was and continued to be obligated to advance at Date of Policy and at the date of the advance;
 - (iv) interest on the loan;
 - (v) the prepayment premiums, exit fees, and other similar fees or penalties allowed by law;
 - (vi) the expenses of foreclosure and any other costs of enforcement;
 - (vii) the amounts advanced to assure compliance with laws or to protect the lien or the priority of the lien of the Insured Mortgage before the acquisition of the estate or interest in the Title;

(viii) the amounts to pay taxes and insurance; and

(ix) the reasonable amounts expended to prevent deterioration of improvements;

but the Indebtedness is reduced by the total of all payments and by any amount forgiven by an Insured.

(e) **"Insured": The Insured named in Schedule A.**

(i) The term "Insured" also includes

(A) the owner of the Indebtedness and each successor in ownership of the Indebtedness, whether the owner or successor owns the Indebtedness for its own account or as a trustee or other fiduciary, except a successor who is an obligor under the provisions of Section 12(c) of these Conditions;

(B) the person or Entity who has "control" of the "transferable record," if the Indebtedness is evidenced by a "transferable record," as these terms are defined by applicable electronic transactions law;

(C) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;

(D) successors to an Insured by its conversion to another kind of Entity;

(E) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title

(1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,

(2) if the grantee wholly owns the named Insured, or

(3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity;

(F) any government agency or instrumentality that is an insurer or guarantor under an insurance contract or guaranty insuring or guaranteeing the Indebtedness secured by the Insured Mortgage, or any part of it, whether named as an Insured or not;

(ii) With regard to (A), (B), (C), (D), and (E) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured, unless the successor acquired the Indebtedness as a purchaser for value without Knowledge of the asserted defect, lien, encumbrance, or other matter insured against by this policy.

(f) **"Insured Claimant":** An Insured claiming loss or damage.

(g) **"Insured Mortgage":** The Mortgage described in paragraph 4 of Schedule A.

(h) **"Knowledge" or "Known":** Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.

(i) **"Land":** The land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.

(j) **"Mortgage":** Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.

(k) **"Public Records":** Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States District Court for the district where the Land is located.

(l) **"Title":** The estate or interest described in Schedule A.

(m) **"Unmarketable Title":** Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title or a prospective purchaser of the Insured Mortgage to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured after acquisition of the Title by an Insured or after conveyance by an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

Attachment D

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured of any claim of title or interest that is adverse to the Title or the lien of the Insured Mortgage, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title or the lien of the Insured Mortgage, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

4. PROOF OF LOSS

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS

(a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.

(b) The Company shall have the right, in addition to the options contained in Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title or the lien of the Insured Mortgage, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.

(c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal any adverse judgment or order.

6. DUTY OF INSURED CLAIMANT TO COOPERATE

(a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title, the lien of the Insured Mortgage, or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

(b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage.

All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance or to Purchase the Indebtedness.

(i) To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay; or

(ii) To purchase the Indebtedness for the amount of the Indebtedness on the date of purchase, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of purchase and that the Company is obligated to pay.

When the Company purchases the Indebtedness, the Insured shall transfer, assign, and convey to the Company the Indebtedness and the Insured Mortgage, together with any collateral security.

Upon the exercise by the Company of either of the options provided for in subsections (a)(i) or (ii), all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in those subsections, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

(b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.

(i) to pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or

(ii) to pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.

(a) The extent of liability of the Company for loss or damage under this policy shall not exceed the least of

(i) the Amount of Insurance,

(ii) the Indebtedness,

(iii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy, or

(iv) if a government agency or instrumentality is the Insured Claimant, the amount it paid in the acquisition of the Title or the Insured Mortgage in satisfaction of its insurance contract or guaranty.

(b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title or the lien of the Insured Mortgage, as insured,

(i) the Amount of Insurance shall be increased by 10%, and

(ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.

(c) In the event the Insured has acquired the Title in the manner described in Section 2 of these Conditions or has conveyed the Title, then the extent of liability of the Company shall continue as set forth in Section 8(a) of these Conditions.

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(d) In addition to the extent of liability under (a), (b), and (c), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY

(a) If the Company establishes the Title, or removes the alleged defect, lien, or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketable Title, or establishes the lien of the Insured Mortgage, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title or to the lien of the Insured Mortgage, as insured.

(c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

(a) All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment. However, any payments made prior to the acquisition of Title as provided in Section 2 of these Conditions shall not reduce the Amount of Insurance afforded under this policy except to the extent that the payments reduce the Indebtedness.

(b) The voluntary satisfaction or release of the Insured Mortgage shall terminate all liability of the Company except as provided in Section 2 of these Conditions.

11. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

12. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

(a) The Company's Right to Recover

Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title or Insured Mortgage and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Insured's Rights and Limitations

(i) The owner of the Indebtedness may release or substitute the personal liability of any debtor or guarantor, extend or otherwise modify the terms of payment, release a portion of the Title from the lien of the Insured Mortgage, or release any collateral security for the Indebtedness, if it does not affect the enforceability or priority of the lien of the Insured Mortgage.

(ii) If the Insured exercises a right provided in (b)(i), but has Knowledge of any claim adverse to the Title or the lien of the Insured Mortgage insured against by this policy, the Company shall be required to pay only that part of any losses insured against by this policy that shall exceed the amount, if any, lost to the Company by reason of the impairment by the Insured Claimant of the Company's right of subrogation.

(c) The Company's Rights Against Noninsured Obligors

The Company's right of subrogation includes the Insured's rights against noninsured obligors including the rights of the Insured to indemnities,

guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.

The Company's right of subrogation shall not be avoided by acquisition of the Insured Mortgage by an obligor (except an obligor described in Section 1(e)(i)(F) of these Conditions) who acquires the Insured Mortgage as a result of an indemnity, guarantee, other policy of insurance, or bond, and the obligor will not be an Insured under this policy.

13. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American **Land Title Association ("Rules")**. **Except as provided in the Rules**, there shall be no joinder or consolidation with claims or controversies of other persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable matters when the Amount of Insurance is in excess of \$2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

14. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

(a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage that arises out of the status of the Title or lien of the Insured Mortgage or by any action asserting such claim shall be restricted to this policy.

(c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

(d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance.

15. SEVERABILITY

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

16. CHOICE OF LAW; FORUM

(a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefor in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title or the lien of the Insured Mortgage that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

(b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

17. NOTICES, WHERE SENT

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at 1 First American Way, Santa Ana, CA 92707, Attn: Claims Department.

POLICY OF TITLE INSURANCE



Attachment D
SCHEDULE A

First American Title Insurance Company

Name and Address of Title Insurance Company:

First American Title Insurance Company

1 First American Way

Santa Ana, CA 92707

File No.: OSA-6927336

Policy No.: 6927336

Loan No.:

Address Reference: Lots 1, 2, 5, 9, tract 19163, unincorporated area, CA

Amount of Insurance: \$9,346,098.00

Premium: \$ 150.00

Date of Policy: January 20, 2023 at 9:14 AM

1. Name of Insured:

RMV PA3 Development, LLC, a Delaware limited liability company

2. The estate or interest in the Land that is encumbered by the Insured Mortgage is:

A Fee.

3. Title is vested in:

Pulte Home Company, LLC a Michigan Limited Liability Company

4. The Insured Mortgage, and its assignments, if any, are described as follows:

A deed of trust to secure the performance of an agreement or other obligation, recorded January 20, 2023 as Instrument No. 2023000014321 of Official Records.

Dated: January 18, 2023

Trustor: Pulte Home Company, LLC a Michigan Limited Liability Company

Trustee: First American Title Insurance Company, a California corporation

Beneficiary: RMV PA3 Development, LLC, a Delaware limited liability company

5. The Land referred to in this policy is described as follows:

Real property in the City of unincorporated area, County of Orange, State of California, described as follows:

LOTS 1, 2, 5 AND 9 OF TRACT NO. 19163, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 1003, PAGES 1 THROUGH 16, INCLUSIVE, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING ANY AND ALL RIPARIAN, APPROPRIATIVE, OVERLYING OR OTHER WATER AND WATER RIGHTS AND ANY AND ALL INTERESTS IN SUCH WATER, INCLUDING SURFACE WATER, SUBSURFACE UNDERFLOW, AND PERCOLATING GROUNDWATER APPURTENANT OR RELATING TO SAID LAND, CONVEYED TO RANCHO MISSION VIEJO MUTUAL WATER COMPANY, A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION IN DEED RECORDED APRIL 23, 2012 AS INSTRUMENT NO. 2012000230675 OF OFFICIAL RECORDS.

Attachment D
SCHEDULE B

File No.: OSA-6927336

Policy No.: 6927336

EXCEPTIONS FROM COVERAGE

PART I

This Policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

1. General and special taxes and assessments for the fiscal year 2023-2024, a lien not yet due or payable.

2. General and special taxes and assessments for the fiscal year 2022-2023.
First Installment: \$3,768.32, PAID
Penalty: \$0.00
Second Installment: \$3,768.32, OPEN
Penalty: \$0.00
Tax Rate Area: 82-105
A. P. No.: 125-165-85

Affects: A portion of the land and other property.

- 2A. General and special taxes and assessments for the fiscal year 2022-2023.
First Installment: \$27,235.74, PAID
Penalty: \$0.00
Second Installment: \$27,235.74, OPEN
Penalty: \$0.00
Tax Rate Area: 82-105
A. P. No.: 125-165-86

Affects: A portion of the land and other property.

- 2B. General and special taxes and assessments for the fiscal year 2022-2023.
First Installment: \$26,770.17, PAID
Penalty: \$0.00
Second Installment: \$26,770.17, OPEN
Penalty: \$0.00
Tax Rate Area: 82-105
A. P. No.: 125-165-68

Affects: The land and other property.

Attachment D

3. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
4. The terms and provisions contained in the document entitled "Agreement for Financing Public School Facilities" recorded June 27, 1985 as Instrument No. 85-237046 of Official Records.
5. The terms and provisions contained in the document entitled "Rancho Mission Viejo Development Agreement County of Orange (Ranch Plan Project)" recorded December 6, 2004 as Instrument No. 2004001082094 of Official Records.

The terms and provisions contained in the document entitled Assignment and Assumption Agreement (Subarea 3.2B) recorded December 13, 2022 as Instrument No. 2022000404996 of Official Records.

6. The terms and provisions contained in the document entitled "Notice of Settlement and Declaration of Restrictions" recorded August 17, 2005 as Instrument No. 2005000648330 of Official Records.
7. The terms and provisions contained in the document entitled "Secured Fire Protection Agreement" recorded April 04, 2007 as Instrument No. 2007000218114 of Official Records.
8. Intentionally Deleted
9. The terms and provisions contained in the document entitled "Memorandum of School Facilities and Funding Agreement and Option to Purchase School Site" recorded January 31, 2014 as Instrument No. 2014000040452 of Official Records.
10. Intentionally Deleted
11. The following matters shown or disclosed by the filed or recorded Tract No. 19163 referred to in the legal description:

WE EXPRESSLY RESERVE FOR OURSELVES AND OUR SUCCESSORS AND ASSIGNS, TOGETHER WITH THE RIGHT TO GRANT AND TRANSFER ALL OR A PORTION OF THE SAME, THE EASEMENTS AS NOTED AND SHOWN TRACT NO. 19163 AS EASEMENTS RESERVED FOR ACCESS PURPOSES.

(AFFECTS LOTS 1-9)

WE ALSO HEREBY RESERVE FOR OURSELVES AND OUR SUCCESSORS AND ASSIGNS, TOGETHER WITH THE RIGHT TO GRANT AND TRANSFER ALL OR A PORTION OF THE SAME, AN ACCESS EASEMENT OVER AND ACROSS LOTS 1-17 INCLUSIVE, AND LOTS 19-56 INCLUSIVE, AS SHOWN ON TRACT NO. 19163. THIS EASEMENT SHALL BE NON-EXCLUSIVE AND THE UNDERSIGNED RETAINS THE RIGHT TO USE AND GRANT TO OTHERS THE RIGHT TO USE ALL OR ANY PORTION OF THE AREA COVERED BY THE EASEMENT FOR ALL LAWFUL PURPOSES.

THIS EASEMENT SHALL AUTOMATICALLY TERMINATE UPON THE FIRST TO OCCUR OF:

- 1) DEDICATION OF A PUBLIC ROADWAY TO THE BOUNDARIES OF SAID LOTS OR PORTION THEREOF, OR GRANT OF ANOTHER PRIVATE EASEMENT WHICH PROVIDES ACCESS FROM SUCH LOT, OR PORTION THEREOF, TO A PUBLIC OR PRIVATE ROADWAY, OR
- 2) RECORDATION OF A MAP PURSUANT TO THE CALIFORNIA SUBDIVISION MAP ACT COVERING SAID LOTS OR PORTION THEREOF, OR ANY ADJACENT PROPERTY WHICH ESTABLISHES ROADWAYS WHICH PROVIDE ACCESS FROM SAID LOTS OR PORTION THEREOF, TO A PUBLIC OR PRIVATE ROADWAY CONVEYANCE OF ANY NUMBERED LOTS SHOWN ON SAID MAP MUST INCLUDE INGRESS AND EGRESS TO A PUBLIC STREET.

GENERAL NOTES:

1. TRACT NO. 19163 IS SUBJECT TO THE STANDARDS OF THE RANCH PLAN PLANNED COMMUNITY.
2. THIS DEVELOPMENT IS SUBJECT TO THE CONDITONS OF APPROVAL FOR ALL OF VESTING

Attachment D

TENTATIVE TRACT NO. 19163.

3. ALL STORM DRAIN LINES & APPURTENANCES CONSTRUCTED WITHIN LETTERED LOTS WITHIN THIS MAP SHALL BE OWNED, OPERATED AND MAINTAINED BY THE DEVELOPER, SUCCESSORS OR ASSIGNS.

HIGH FIRE HAZARD AREA NOTE THE DEVELOPMENT IS WITHIN A STATE RESPONSIBILITY AREA (SRA) - VERY HIGH FIRE HAZARD SEVERITY ZONE.

AUTOMATIC FIRE SPRINKLERS

ALL NEW HABITABLE STRUCTURES SHALL BE EQUIPPED THE APPROPRIATE AUTOMATIC FIRE SPRINKLER SYSTEMS PER RANCH PLAN FIRE PROTECTION PROGRAM EXHIBIT 2, SECTION A, CONDITION OF APPROVAL NO. 1, EXCEPT AS NOTED PER THE EXCEPTIONS LISTED IN THE TEXT OF THE CONDITION.

12. Abutter's rights of ingress and egress to or from Williams Way have been dedicated or relinquished on the filed Map.

(Affects Lots 1 and 9)

13. An easement shown or dedicated on Tract No. 19163, Book 1003, Pages 1 through 16 of Miscellaneous Maps. In favor of the Santa Margarita Water District.
For: Water, sewer and access and incidental purposes.

(Affects Lots 1 and 9)

14. Intentionally Deleted

15. The terms and provisions contained in the document entitled "Declaration of Restrictive Coevnant (Subarea 3.2B)" recorded December 2, 2022 as Instrument No. 2022000396863 of Official Records.

16. Intentionally Deleted

17. Any lien or right to a lien for services, labor or material unless such lien is shown by the Public Records at Date of Policy.

18. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded December 13, 2022 as Instrument No. 2022000404992 as rerecorded on December 14, 2022 as Instrument No. 2022000408038, both of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition, or restriction, if any, indicating a preference, limitation, or discrimination based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, handicap, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, to the extent that such covenants, conditions or restrictions violate applicable state or federal laws. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

Note: You may wish to contact the homeowners association referred to in the above document for information regarding assessments, transfer requirements or other matters.

Attachment D

The terms and provisions contained in the document entitled Supplemental Declaration of Development Covenants, Conditions and Restrictions recorded January 18, 2023 as Instrument No. 2023000013332 of Official Records.

19. Easements, Covenants and Conditions contained in the deed from RMV PA3 Development, LLC, a Delaware limited liability company, as Grantor, to Pulte Home Company, LLC, a Michigan limited liability company, as Grantee, recorded January 18, 2023 as Instrument No. Instrument No. 2023000013333 of Official Records. Reference being made to the document for full particulars.
20. The terms and provisions contained in the document entitled Memorandum of Repurchase Option recorded January 18, 2023 as Instrument No. 2023000013334 of Official Records.

Attachment D
SCHEDULE B

File No.: OSA-6927336

Policy No.: 6927336

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:

None



LOAN POLICY OF TITLE INSURANCE

ISSUED BY

First American Title Insurance Company

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Section 17 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a Nebraska corporation (the "Company") insures as of Date of Policy and, to the extent stated in Covered Risks 11, 13, and 14, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
 - (a) A defect in the Title caused by
 - (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
 - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
 - (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (vii) a defective judicial or administrative proceeding.
 - (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
 - (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (a) the occupancy, use, or enjoyment of the Land;
 - (b) the character, dimensions, or location of any improvement erected on the Land;
 - (c) the subdivision of land; or
 - (d) environmental protection
 if a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. The invalidity or unenforceability of the lien of the Insured Mortgage upon the Title. This Covered Risk includes but is not limited to insurance against loss from any of the following impairing the lien of the Insured Mortgage
 - (a) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (b) failure of any person or Entity to have authorized a transfer or conveyance;
 - (c) the Insured Mortgage not being properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (d) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (e) a document executed under a falsified, expired, or otherwise invalid power of attorney;
10. The lack of priority of the lien of the Insured Mortgage upon the Title over any other lien or encumbrance.
11. The lack of priority of the lien of the Insured Mortgage upon the Title
 - (a) as security for each and every advance of proceeds of the loan secured by the Insured Mortgage over any statutory lien for services, labor, or material arising from construction of an improvement or work related to the Land when the improvement or work is either
 - (i) contracted for or commenced on or before Date of Policy; or
 - (ii) contracted for, commenced, or continued after Date of Policy if the construction is financed, in whole or in part, by proceeds of the loan secured by the Insured Mortgage that the Insured has advanced or is obligated on Date of Policy to advance; and
 - (b) over the lien of any assessments for street improvements under construction or completed at Date of Policy.
12. The invalidity or unenforceability of any assignment of the Insured Mortgage, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the Insured Mortgage in the named Insured assignee free and clear of all liens.
13. The invalidity, unenforceability, lack of priority, or avoidance of the lien of the Insured Mortgage upon the Title
 - (a) resulting from the avoidance in whole or in part, or from a court order providing an alternative remedy, of any transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction creating the lien of the Insured Mortgage because that prior transfer constituted a fraudulent or preferential transfer under **federal bankruptcy, state insolvency, or similar creditors' rights laws**; or
 - (b) because the Insured Mortgage constitutes a preferential transfer under **federal bankruptcy, state insolvency, or similar creditors' rights laws** by reason of the failure of its recording in the Public Records
 - (i) to be timely, or
 - (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
14. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 13 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the Insured Mortgage in the Public Records.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this policy, but only to the extent provided in the Conditions.

First American Title Insurance Company

Kenneth D. DeGiorgio, President

Lisa W. Cornehl, Secretary

Attachment D

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection; or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or **similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is**
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

- (a) **"Amount of Insurance":** The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b) or decreased by Section 10 of these Conditions.
- (b) **"Date of Policy":** The date designated as **"Date of Policy"** in Schedule A.
- (c) **"Entity":** A corporation, partnership, trust, limited liability company, or other similar legal entity.
- (d) **"Indebtedness":** The obligation secured by the Insured Mortgage including one evidenced by electronic means authorized by law, and if that obligation is the payment of a debt, the Indebtedness is the sum of
 - (i) the amount of the principal disbursed as of Date of Policy;
 - (ii) the amount of the principal disbursed subsequent to Date of Policy;
 - (iii) the construction loan advances made subsequent to Date of Policy for the purpose of financing in whole or in part the construction of an improvement to the Land or related to the Land that the Insured was and continued to be obligated to advance at Date of Policy and at the date of the advance;
 - (iv) interest on the loan;
 - (v) the prepayment premiums, exit fees, and other similar fees or penalties allowed by law;
 - (vi) the expenses of foreclosure and any other costs of enforcement;
 - (vii) the amounts advanced to assure compliance with laws or to protect the lien or the priority of the lien of the Insured Mortgage before the acquisition of the estate or interest in the Title;

(viii) the amounts to pay taxes and insurance; and

(ix) the reasonable amounts expended to prevent deterioration of improvements;

but the Indebtedness is reduced by the total of all payments and by any amount forgiven by an Insured.

(e) **"Insured":** The Insured named in Schedule A.

(i) The term "Insured" also includes

(A) the owner of the Indebtedness and each successor in ownership of the Indebtedness, whether the owner or successor owns the Indebtedness for its own account or as a trustee or other fiduciary, except a successor who is an obligor under the provisions of Section 12(c) of these Conditions;

(B) the person or Entity who has "control" of the "transferable record," if the Indebtedness is evidenced by a "transferable record," as these terms are defined by applicable electronic transactions law;

(C) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;

(D) successors to an Insured by its conversion to another kind of Entity;

(E) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title

(1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,

(2) if the grantee wholly owns the named Insured, or

(3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity;

(F) any government agency or instrumentality that is an insurer or guarantor under an insurance contract or guaranty insuring or guaranteeing the Indebtedness secured by the Insured Mortgage, or any part of it, whether named as an Insured or not;

(ii) With regard to (A), (B), (C), (D), and (E) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured, unless the successor acquired the Indebtedness as a purchaser for value without Knowledge of the asserted defect, lien, encumbrance, or other matter insured against by this policy.

(f) **"Insured Claimant":** An Insured claiming loss or damage.

(g) **"Insured Mortgage":** The Mortgage described in paragraph 4 of Schedule A.

(h) **"Knowledge" or "Known":** Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.

(i) **"Land":** The land described in Schedule A, and affixed improvements that by law constitute real property. The term **"Land" does not include any property** beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.

(j) **"Mortgage":** Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.

(k) **"Public Records":** Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States District Court for the district where the Land is located.

(l) **"Title":** The estate or interest described in Schedule A.

(m) **"Unmarketable Title":** Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title or a prospective purchaser of the Insured Mortgage to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured after acquisition of the Title by an Insured or after conveyance by an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

Attachment D

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured of any claim of title or interest that is adverse to the Title or the lien of the Insured Mortgage, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title or the lien of the Insured Mortgage, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

4. PROOF OF LOSS

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS

(a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.

(b) The Company shall have the right, in addition to the options contained in Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title or the lien of the Insured Mortgage, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.

(c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal any adverse judgment or order.

6. DUTY OF INSURED CLAIMANT TO COOPERATE

(a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title, the lien of the Insured Mortgage, or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

(b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage.

All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance or to Purchase the Indebtedness.

(i) To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay; or

(ii) To purchase the Indebtedness for the amount of the Indebtedness on the date of purchase, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of purchase and that the Company is obligated to pay.

When the Company purchases the Indebtedness, the Insured shall transfer, assign, and convey to the Company the Indebtedness and the Insured Mortgage, together with any collateral security.

Upon the exercise by the Company of either of the options provided for in subsections (a)(i) or (ii), all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in those subsections, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

(b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.

(i) to pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or

(ii) to pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.

(a) The extent of liability of the Company for loss or damage under this policy shall not exceed the least of

(i) the Amount of Insurance,

(ii) the Indebtedness,

(iii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy, or

(iv) if a government agency or instrumentality is the Insured Claimant, the amount it paid in the acquisition of the Title or the Insured Mortgage in satisfaction of its insurance contract or guaranty.

(b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title or the lien of the Insured Mortgage, as insured,

(i) the Amount of Insurance shall be increased by 10%, and

(ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.

(c) In the event the Insured has acquired the Title in the manner described in Section 2 of these Conditions or has conveyed the Title, then the extent of liability of the Company shall continue as set forth in Section 8(a) of these Conditions.

Attachment D

(d) In addition to the extent of liability under (a), (b), and (c), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY

(a) If the Company establishes the Title, or removes the alleged defect, lien, or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketable Title, or establishes the lien of the Insured Mortgage, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title or to the lien of the Insured Mortgage, as insured.

(c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

(a) All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment. However, any payments made prior to the acquisition of Title as provided in Section 2 of these Conditions shall not reduce the Amount of Insurance afforded under this policy except to the extent that the payments reduce the Indebtedness.

(b) The voluntary satisfaction or release of the Insured Mortgage shall terminate all liability of the Company except as provided in Section 2 of these Conditions.

11. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

12. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

(a) The Company's Right to Recover

Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title or Insured Mortgage and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Insured's Rights and Limitations

(i) The owner of the Indebtedness may release or substitute the personal liability of any debtor or guarantor, extend or otherwise modify the terms of payment, release a portion of the Title from the lien of the Insured Mortgage, or release any collateral security for the Indebtedness, if it does not affect the enforceability or priority of the lien of the Insured Mortgage.

(ii) If the Insured exercises a right provided in (b)(i), but has Knowledge of any claim adverse to the Title or the lien of the Insured Mortgage insured against by this policy, the Company shall be required to pay only that part of any losses insured against by this policy that shall exceed the amount, if any, lost to the Company by reason of the impairment by the Insured Claimant of the Company's right of subrogation.

(c) The Company's Rights Against Noninsured Obligors

The Company's right of subrogation includes the Insured's rights against noninsured obligors including the rights of the Insured to indemnities,

guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.

The Company's right of subrogation shall not be avoided by acquisition of the Insured Mortgage by an obligor (except an obligor described in Section 1(e)(i)(F) of these Conditions) who acquires the Insured Mortgage as a result of an indemnity, guarantee, other policy of insurance, or bond, and the obligor will not be an Insured under this policy.

13. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American **Land Title Association ("Rules")**. **Except as provided in the Rules**, there shall be no joinder or consolidation with claims or controversies of other persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable matters when the Amount of Insurance is in excess of \$2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

14. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

(a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage that arises out of the status of the Title or lien of the Insured Mortgage or by any action asserting such claim shall be restricted to this policy.

(c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

(d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance.

15. SEVERABILITY

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

16. CHOICE OF LAW; FORUM

(a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefor in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title or the lien of the Insured Mortgage that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

(b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

17. NOTICES, WHERE SENT

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at 1 First American Way, Santa Ana, CA 92707, Attn: Claims Department.

POLICY OF TITLE INSURANCE



Attachment D
SCHEDULE A

First American Title Insurance Company

Name and Address of Title Insurance Company:

First American Title Insurance Company

1 First American Way

Santa Ana, CA 92707

File No.: OSA-6927338

Policy No.: 6927338

Loan No.:

Address Reference: Lots 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50 tract 19163, unincorporated area, CA

Amount of Insurance: \$28,080,041.00

Premium: \$ 150.00

Date of Policy: January 18, 2023 at 11:52 AM

1. Name of Insured:

RMV PA3 Development, LLC, a Delaware limited liability company

2. The estate or interest in the Land that is encumbered by the Insured Mortgage is:

A Fee.

3. Title is vested in:

Shea Homes Limited Partnership, a California limited partnership

4. The Insured Mortgage, and its assignments, if any, are described as follows:

A deed of trust to secure the performance of an agreement or other obligation, recorded January 18, 2023 as Instrument No. 2023000012635 of Official Records.

Dated: January 18, 2023

Trustor: Shea Homes Limited Partnership, a California limited partnership

Trustee: First American Title Insurance Company, a California corporation

Beneficiary: RMV PA3 Development, LLC, a Delaware limited liability company

5. The Land referred to in this policy is described as follows:

Real property in the City of unincorporated area, County of Orange, State of California, described as follows:

LOTS 38 THROUGH 50, INCLUSIVE, OF TRACT NO. 19163, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 1003, PAGES 1 THROUGH 16, INCLUSIVE, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING ANY AND ALL RIPARIAN, APPROPRIATIVE, OVERLYING OR OTHER WATER AND WATER RIGHTS AND ANY AND ALL INTERESTS IN SUCH WATER, INCLUDING SURFACE WATER, SUBSURFACE UNDERFLOW, AND PERCOLATING GROUNDWATER APPURTENANT OR RELATING TO SAID LAND, CONVEYED TO RANCHO MISSION VIEJO MUTUAL WATER COMPANY, A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION IN DEED RECORDED APRIL 23, 2012 AS INSTRUMENT NO. 2012000230675 OF OFFICIAL RECORDS.

Attachment D
SCHEDULE B

File No.: OSA-6927338

Policy No.: 6927338

EXCEPTIONS FROM COVERAGE

PART I

This Policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

1. General and special taxes and assessments for the fiscal year 2023-2024, a lien not yet due or payable.
2. General and special taxes and assessments for the fiscal year 2022-2023.
First Installment: \$27,235.74, PAID
Penalty: \$0.00
Second Installment: \$27,235.74, OPEN
Penalty: \$0.00
Tax Rate Area: 82-105
A. P. No.: 125-165-86

Affects: Portion of the land and other property.

3. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
4. The terms and provisions contained in the document entitled "Agreement for Financing Public School Facilities" recorded June 27, 1985 as Instrument No. 85-237046 of Official Records.
5. The terms and provisions contained in the document entitled "Rancho Mission Viejo Development Agreement County of Orange (Ranch Plan Project)" recorded December 6, 2004 as Instrument No. 2004001082094 of Official Records.

The terms and provisions contained in the document entitled Assignment and Assumption Agreement (Subarea 3.2B) recorded December 13, 2022 as Instrument No. 2022000404996 of Official Records.
6. The terms and provisions contained in the document entitled "Notice of Settlement and Declaration of Restrictions" recorded August 17, 2005 as Instrument No. 2005000648330 of Official Records.
7. The terms and provisions contained in the document entitled "Secured Fire Protection Agreement" recorded April 04, 2007 as Instrument No. 2007000218114 of Official Records.
8. Intentionally Deleted
9. The terms and provisions contained in the document entitled "Memorandum of School Facilities and Funding Agreement and Option to Purchase School Site" recorded January 31, 2014 as Instrument No. 2014000040452 of Official Records.

Attachment D

10. The terms and provisions contained in the document entitled "Covenant and Declaration of Restriction" recorded November 9, 2022 as Instrument No. 2022000358976 of Official Records.
11. The following matters shown or disclosed by the filed or recorded Tract No. 19163 referred to in the legal description:

WE EXPRESSLY RESERVE FOR OURSELVES AND OUR SUCCESSORS AND ASSIGNS, TOGETHER WITH THE RIGHT TO GRANT AND TRANSFER ALL OR A PORTION OF THE SAME, THE EASEMENTS AS NOTED AND SHOWN TRACT NO. 19163 AS EASEMENTS RESERVED FOR ACCESS PURPOSES.

(AFFECTS LOTS 38-50)

WE ALSO HEREBY RESERVE FOR OURSELVES AND OUR SUCCESSORS AND ASSIGNS, TOGETHER WITH THE RIGHT TO GRANT AND TRANSFER ALL OR A PORTION OF THE SAME, AN ACCESS EASEMENT OVER AND ACROSS LOTS 1-17 INCLUSIVE, AND LOTS 19-56 INCLUSIVE, AS SHOWN ON TRACT NO. 19163. THIS EASEMENT SHALL BE NON-EXCLUSIVE AND THE UNDERSIGNED RETAINS THE RIGHT TO USE AND GRANT TO OTHERS THE RIGHT TO USE ALL OR ANY PORTION OF THE AREA COVERED BY THE EASEMENT FOR ALL LAWFUL PURPOSES.

THIS EASEMENT SHALL AUTOMATICALLY TERMINATE UPON THE FIRST TO OCCUR OF:

- 1) DEDICATION OF A PUBLIC ROADWAY TO THE BOUNDARIES OF SAID LOTS OR PORTION THEREOF, OR GRANT OF ANOTHER PRIVATE EASEMENT WHICH PROVIDES ACCESS FROM SUCH LOT, OR PORTION THEREOF, TO A PUBLIC OR PRIVATE ROADWAY, OR
- 2) RECORDATION OF A MAP PURSUANT TO THE CALIFORNIA SUBDIVISION MAP ACT COVERING SAID LOTS OR PORTION THEREOF, OR ANY ADJACENT PROPERTY WHICH ESTABLISHES ROADWAYS WHICH PROVIDE ACCESS FROM SAID LOTS OR PORTION THEREOF, TO A PUBLIC OR PRIVATE ROADWAY CONVEYANCE OF ANY NUMBERED LOTS SHOWN ON SAID MAP MUST INCLUDE INGRESS AND EGRESS TO A PUBLIC STREET.

GENERAL NOTES:

1. TRACT NO. 19163 IS SUBJECT TO THE STANDARDS OF THE RANCH PLAN PLANNED COMMUNITY.
2. THIS DEVELOPMENT IS SUBJECT TO THE CONDITIONS OF APPROVAL FOR ALL OF VESTING TENTATIVE TRACT NO. 19163.
3. ALL STORM DRAIN LINES & APPURTENANCES CONSTRUCTED WITHIN LETTERED LOTS WITHIN THIS MAP SHALL BE OWNED, OPERATED AND MAINTAINED BY THE DEVELOPER, SUCCESSORS OR ASSIGNS.

HIGH FIRE HAZARD AREA NOTE THE DEVELOPMENT IS WITHIN A STATE RESPONSIBILITY AREA (SRA) - VERY HIGH FIRE HAZARD SEVERITY ZONE.

AUTOMATIC FIRE SPRINKLERS

All NEW HABITABLE STRUCTURES SHALL BE EQUIPPED THE APPROPRIATE AUTOMATIC FIRE SPRINKLER SYSTEMS PER RANCH PLAN FIRE PROTECTION PROGRAM EXHIBIT 2, SECTION A, CONDITION OF APPROVAL NO. 1, EXCEPT AS NOTED PER THE EXCEPTIONS LISTED IN THE TEXT OF THE CONDITION.

12. Abutter's rights of ingress and egress to or from Williams Way, Saddle Way and Pablo Way have been dedicated or relinquished on the filed Map.

(Affects Lots 38-43 and 50)

13. An easement shown or dedicated on Tract No. 19163, Book 1003, Pages 1 through 16 of Miscellaneous Maps. In favor of the Santa Margarita Water District.
For: Water, sewer and access and incidental purposes.

(Affects Lots 40 and 41)

Attachment D

14. An easement shown or dedicated on Tract No. 19163, Book 1003, Pages 1 through 16 of Miscellaneous Maps. In favor of the Santa Margarita Water District.
For: Water and access and incidental purposes.

(Affects Lot 43)
15. The terms and provisions contained in the document entitled "Declaration of Restrictive Coevnant (Subarea 3.2B)" recorded December 2, 2022 as Instrument No. 2022000396863 of Official Records.
16. Intentionally Deleted
17. Any lien or right to a lien for services, labor or material unless such lien is shown by the Public Records at Date of Policy.
18. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded December 13, 2022 as Instrument No. 2022000404992 as rerecorded on December 14, 2022 as Instrument No. 2022000408038 both of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition, or restriction, if any, indicating a preference, limitation, or discrimination based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, handicap, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, to the extent that such covenants, conditions or restrictions violate applicable state or federal laws. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

Note: You may wish to contact the homeowners association referred to in the above document for information regarding assessments, transfer requirements or other matters.

The terms and provisions contained in the document entitled Supplemental Declaration of Development Covenants, Conditions and Restrictions recorded January 18, 2023 as Instrument No. 2023000012632 of Official Records.
19. Easements, Covenants and Conditions contained in the deed from RMV PA3 Development, LLC, a Delaware limited liability company, as Grantor, to Shea Homes Limited Partnership, a California limited partnership, as Grantee, recorded January 18, 2023 as Instrument No. Instrument No. 2023000012633 of Official Records. Reference being made to the document for full particulars.
20. The terms and provisions contained in the document entitled Memorandum of Repurchase Option recorded January 18, 2023 as Instrument No. 2023000012634 of Official Records.

Attachment D
SCHEDULE B

File No.: OSA-6927338

Policy No.: 6927338

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:

None



LOAN POLICY OF TITLE INSURANCE

ISSUED BY

First American Title Insurance Company

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Section 17 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a Nebraska corporation (the "Company") insures as of Date of Policy and, to the extent stated in Covered Risks 11, 13, and 14, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
 - (a) A defect in the Title caused by
 - (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
 - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
 - (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (vii) a defective judicial or administrative proceeding.
 - (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
 - (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (a) the occupancy, use, or enjoyment of the Land;
 - (b) the character, dimensions, or location of any improvement erected on the Land;
 - (c) the subdivision of land; or
 - (d) environmental protection
 if a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. The invalidity or unenforceability of the lien of the Insured Mortgage upon the Title. This Covered Risk includes but is not limited to insurance against loss from any of the following impairing the lien of the Insured Mortgage
 - (a) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (b) failure of any person or Entity to have authorized a transfer or conveyance;
 - (c) the Insured Mortgage not being properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (d) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (e) a document executed under a falsified, expired, or otherwise invalid power of attorney;
10. The lack of priority of the lien of the Insured Mortgage upon the Title over any other lien or encumbrance.
11. The lack of priority of the lien of the Insured Mortgage upon the Title
 - (a) as security for each and every advance of proceeds of the loan secured by the Insured Mortgage over any statutory lien for services, labor, or material arising from construction of an improvement or work related to the Land when the improvement or work is either
 - (i) contracted for or commenced on or before Date of Policy; or
 - (ii) contracted for, commenced, or continued after Date of Policy if the construction is financed, in whole or in part, by proceeds of the loan secured by the Insured Mortgage that the Insured has advanced or is obligated on Date of Policy to advance; and
 - (b) over the lien of any assessments for street improvements under construction or completed at Date of Policy.
12. The invalidity or unenforceability of any assignment of the Insured Mortgage, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the Insured Mortgage in the named Insured assignee free and clear of all liens.
13. The invalidity, unenforceability, lack of priority, or avoidance of the lien of the Insured Mortgage upon the Title
 - (a) resulting from the avoidance in whole or in part, or from a court order providing an alternative remedy, of any transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction creating the lien of the Insured Mortgage because that prior transfer constituted a fraudulent or preferential transfer under **federal bankruptcy, state insolvency, or similar creditors' rights laws**; or
 - (b) because the Insured Mortgage constitutes a preferential transfer under **federal bankruptcy, state insolvency, or similar creditors' rights laws** by reason of the failure of its recording in the Public Records
 - (i) to be timely, or
 - (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
14. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 13 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the Insured Mortgage in the Public Records.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this policy, but only to the extent provided in the Conditions.

First American Title Insurance Company

Kenneth D. DeGiorgio, President

Lisa W. Cornehl, Secretary

Attachment D

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection; or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or **similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is**
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

- (a) **"Amount of Insurance":** The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b) or decreased by Section 10 of these Conditions.
- (b) **"Date of Policy":** The date designated as "Date of Policy" in Schedule A.
- (c) **"Entity":** A corporation, partnership, trust, limited liability company, or other similar legal entity.
- (d) **"Indebtedness":** The obligation secured by the Insured Mortgage including one evidenced by electronic means authorized by law, and if that obligation is the payment of a debt, the Indebtedness is the sum of
 - (i) the amount of the principal disbursed as of Date of Policy;
 - (ii) the amount of the principal disbursed subsequent to Date of Policy;
 - (iii) the construction loan advances made subsequent to Date of Policy for the purpose of financing in whole or in part the construction of an improvement to the Land or related to the Land that the Insured was and continued to be obligated to advance at Date of Policy and at the date of the advance;
 - (iv) interest on the loan;
 - (v) the prepayment premiums, exit fees, and other similar fees or penalties allowed by law;
 - (vi) the expenses of foreclosure and any other costs of enforcement;
 - (vii) the amounts advanced to assure compliance with laws or to protect the lien or the priority of the lien of the Insured Mortgage before the acquisition of the estate or interest in the Title;

(viii) the amounts to pay taxes and insurance; and

(ix) the reasonable amounts expended to prevent deterioration of improvements;

but the Indebtedness is reduced by the total of all payments and by any amount forgiven by an Insured.

(e) **"Insured":** The Insured named in Schedule A.

(i) The term "Insured" also includes

(A) the owner of the Indebtedness and each successor in ownership of the Indebtedness, whether the owner or successor owns the Indebtedness for its own account or as a trustee or other fiduciary, except a successor who is an obligor under the provisions of Section 12(c) of these Conditions;

(B) the person or Entity who has "control" of the "transferable record," if the Indebtedness is evidenced by a "transferable record," as these terms are defined by applicable electronic transactions law;

(C) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;

(D) successors to an Insured by its conversion to another kind of Entity;

(E) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title

(1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,

(2) if the grantee wholly owns the named Insured, or

(3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity;

(F) any government agency or instrumentality that is an insurer or guarantor under an insurance contract or guaranty insuring or guaranteeing the Indebtedness secured by the Insured Mortgage, or any part of it, whether named as an Insured or not;

(ii) With regard to (A), (B), (C), (D), and (E) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured, unless the successor acquired the Indebtedness as a purchaser for value without Knowledge of the asserted defect, lien, encumbrance, or other matter insured against by this policy.

(f) **"Insured Claimant":** An Insured claiming loss or damage.

(g) **"Insured Mortgage":** The Mortgage described in paragraph 4 of Schedule A.

(h) **"Knowledge" or "Known":** Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.

(i) **"Land":** The land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.

(j) **"Mortgage":** Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.

(k) **"Public Records":** Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States District Court for the district where the Land is located.

(l) **"Title":** The estate or interest described in Schedule A.

(m) **"Unmarketable Title":** Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title or a prospective purchaser of the Insured Mortgage to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured after acquisition of the Title by an Insured or after conveyance by an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

Attachment D

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured of any claim of title or interest that is adverse to the Title or the lien of the Insured Mortgage, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title or the lien of the Insured Mortgage, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

4. PROOF OF LOSS

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS

(a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.

(b) The Company shall have the right, in addition to the options contained in Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title or the lien of the Insured Mortgage, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.

(c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal any adverse judgment or order.

6. DUTY OF INSURED CLAIMANT TO COOPERATE

(a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title, the lien of the Insured Mortgage, or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

(b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage.

All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance or to Purchase the Indebtedness.

(i) To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay; or

(ii) To purchase the Indebtedness for the amount of the Indebtedness on the date of purchase, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of purchase and that the Company is obligated to pay.

When the Company purchases the Indebtedness, the Insured shall transfer, assign, and convey to the Company the Indebtedness and the Insured Mortgage, together with any collateral security.

Upon the exercise by the Company of either of the options provided for in subsections (a)(i) or (ii), all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in those subsections, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

(b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.

(i) to pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or

(ii) to pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.

(a) The extent of liability of the Company for loss or damage under this policy shall not exceed the least of

(i) the Amount of Insurance,

(ii) the Indebtedness,

(iii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy, or

(iv) if a government agency or instrumentality is the Insured Claimant, the amount it paid in the acquisition of the Title or the Insured Mortgage in satisfaction of its insurance contract or guaranty.

(b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title or the lien of the Insured Mortgage, as insured,

(i) the Amount of Insurance shall be increased by 10%, and

(ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.

(c) In the event the Insured has acquired the Title in the manner described in Section 2 of these Conditions or has conveyed the Title, then the extent of liability of the Company shall continue as set forth in Section 8(a) of these Conditions.

Attachment D

(d) In addition to the extent of liability under (a), (b), and (c), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY

(a) If the Company establishes the Title, or removes the alleged defect, lien, or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketable Title, or establishes the lien of the Insured Mortgage, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title or to the lien of the Insured Mortgage, as insured.

(c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

(a) All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment. However, any payments made prior to the acquisition of Title as provided in Section 2 of these Conditions shall not reduce the Amount of Insurance afforded under this policy except to the extent that the payments reduce the Indebtedness.

(b) The voluntary satisfaction or release of the Insured Mortgage shall terminate all liability of the Company except as provided in Section 2 of these Conditions.

11. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

12. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

(a) The Company's Right to Recover

Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title or Insured Mortgage and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Insured's Rights and Limitations

(i) The owner of the Indebtedness may release or substitute the personal liability of any debtor or guarantor, extend or otherwise modify the terms of payment, release a portion of the Title from the lien of the Insured Mortgage, or release any collateral security for the Indebtedness, if it does not affect the enforceability or priority of the lien of the Insured Mortgage.

(ii) If the Insured exercises a right provided in (b)(i), but has Knowledge of any claim adverse to the Title or the lien of the Insured Mortgage insured against by this policy, the Company shall be required to pay only that part of any losses insured against by this policy that shall exceed the amount, if any, lost to the Company by reason of the impairment by the Insured Claimant of the Company's right of subrogation.

(c) The Company's Rights Against Noninsured Obligors

The Company's right of subrogation includes the Insured's rights against noninsured obligors including the rights of the Insured to indemnities,

guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.

The Company's right of subrogation shall not be avoided by acquisition of the Insured Mortgage by an obligor (except an obligor described in Section 1(e)(i)(F) of these Conditions) who acquires the Insured Mortgage as a result of an indemnity, guarantee, other policy of insurance, or bond, and the obligor will not be an Insured under this policy.

13. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American **Land Title Association ("Rules")**. **Except as provided in the Rules**, there shall be no joinder or consolidation with claims or controversies of other persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable matters when the Amount of Insurance is in excess of \$2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

14. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

(a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage that arises out of the status of the Title or lien of the Insured Mortgage or by any action asserting such claim shall be restricted to this policy.

(c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

(d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance.

15. SEVERABILITY

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

16. CHOICE OF LAW; FORUM

(a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefor in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title or the lien of the Insured Mortgage that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

(b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

17. NOTICES, WHERE SENT

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at 1 First American Way, Santa Ana, CA 92707, Attn: Claims Department.

POLICY OF TITLE INSURANCE



Attachment D
SCHEDULE A

First American Title Insurance Company

Name and Address of Title Insurance Company:

First American Title Insurance Company

1 First American Way

Santa Ana, CA 92707

File No.: OSA-6927340

Policy No.: 6927340

Loan No.:

Address Reference: Lots 28, 29, 30, 31, 32, 33, 34, 35, 36, 37 tract 19163, unincorporated area, CA

Amount of Insurance: \$26,378,574.00

Premium: \$ 150.00

Date of Policy: January 18, 2023 at 12:30 PM

1. Name of Insured:

RMV PA3 Development, LLC, a Delaware limited liability company

2. The estate or interest in the Land that is encumbered by the Insured Mortgage is:

A Fee.

3. Title is vested in:

RMV MR 28 - Mission Viejo, L.P., a Delaware limited partnership

4. The Insured Mortgage, and its assignments, if any, are described as follows:

A deed of trust to secure the performance of an agreement or other obligation, recorded January 18, 2023 as Instrument No. 2023000012709 of Official Records.

Dated: January 18, 2023

Trustor: RMV MR 28 - Mission Viejo, L.P., a Delaware limited partnership

Trustee: First American Title Insurance Company, a California corporation

Beneficiary: RMV PA3 Development, LLC, a Delaware limited liability company

5. The Land referred to in this policy is described as follows:

Real property in the City of unincorporated area, County of Orange, State of California, described as follows:

LOTS 28 THROUGH 37, INCLUSIVE, OF TRACT NO. 19163, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 1003, PAGES 1 THROUGH 16, INCLUSIVE, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING ANY AND ALL RIPARIAN, APPROPRIATIVE, OVERLYING OR OTHER WATER AND WATER RIGHTS AND ANY AND ALL INTERESTS IN SUCH WATER, INCLUDING SURFACE WATER, SUBSURFACE UNDERFLOW, AND PERCOLATING GROUNDWATER APPURTENANT OR RELATING TO SAID LAND, CONVEYED TO RANCHO MISSION VIEJO MUTUAL WATER COMPANY, A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION IN DEED RECORDED APRIL 23, 2012 AS INSTRUMENT NO. 2012000230675 OF OFFICIAL RECORDS.

Attachment D
SCHEDULE B

File No.: OSA-6927340

Policy No.: 6927340

EXCEPTIONS FROM COVERAGE

PART I

This Policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

1. General and special taxes and assessments for the fiscal year 2023-2024, a lien not yet due or payable.
2. General and special taxes and assessments for the fiscal year 2022-2023.
First Installment: \$3,768.32, PAID
Penalty: \$0.00
Second Installment: \$3,768.32, OPEN
Penalty: \$0.00
Tax Rate Area: 82-105
A. P. No.: 125-165-85

Affects: A portion of the land and other property.

- 2A. General and special taxes and assessments for the fiscal year 2022-2023.
First Installment: \$27,235.74, PAID
Penalty: \$0.00
Second Installment: \$27,235.74, OPEN
Penalty: \$0.00
Tax Rate Area: 82-105
A. P. No.: 125-165-86

Affects: A portion of the land and other property.

- 2B. General and special taxes and assessments for the fiscal year 2022-2023.
First Installment: \$1,102.61, PAID
Penalty: \$0.00
Second Installment: \$1,102.61, OPEN
Penalty: \$0.00
Tax Rate Area: 82-105
A. P. No.: 125-165-87

Affects: A portion of the land and other property.

Attachment D

3. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
4. The terms and provisions contained in the document entitled "Agreement for Financing Public School Facilities" recorded June 27, 1985 as Instrument No. 85-237046 of Official Records.
5. The terms and provisions contained in the document entitled "Rancho Mission Viejo Development Agreement County of Orange (Ranch Plan Project)" recorded December 6, 2004 as Instrument No. 2004001082094 of Official Records.

The terms and provisions contained in the document entitled Assignment and Assumption Agreement recorded December 13, 2022 as Instrument No. 2022000404996 of Official Records.
6. The terms and provisions contained in the document entitled "Notice of Settlement and Declaration of Restrictions" recorded August 17, 2005 as Instrument No. 2005000648330 of Official Records.
7. The terms and provisions contained in the document entitled "Secured Fire Protection Agreement" recorded April 04, 2007 as Instrument No. 2007000218114 of Official Records.
8. The terms and provisions contained in the document entitled "Memorandum of School Facilities and Funding Agreement and Option to Purchase School Site" recorded January 31, 2014 as Instrument No. 2014000040452 of Official Records.
9. Intentionally Deleted
10. The terms and provisions contained in the document entitled "Covenant and Declaration of Restriction" recorded November 9, 2022 as Instrument No. 2022000358976 of Official Records.
11. The following matters shown or disclosed by the filed or recorded Tract No. 19163 referred to in the legal description:

WE EXPRESSLY RESERVE FOR OURSELVES AND OUR SUCCESSORS AND ASSIGNS, TOGETHER WITH THE RIGHT TO GRANT AND TRANSFER ALL OR A PORTION OF THE SAME, THE EASEMENTS AS NOTED AND SHOWN TRACT NO. 19163 AS EASEMENTS RESERVED FOR ACCESS PURPOSES.

(AFFECTS LOTS 28-37)

WE ALSO HEREBY RESERVE FOR OURSELVES AND OUR SUCCESSORS AND ASSIGNS, TOGETHER WITH THE RIGHT TO GRANT AND TRANSFER ALL OR A PORTION OF THE SAME, AN ACCESS EASEMENT OVER AND ACROSS LOTS 1-17 INCLUSIVE, AND LOTS 19-56 INCLUSIVE, AS SHOWN ON TRACT NO. 19163. THIS EASEMENT SHALL BE NON-EXCLUSIVE AND THE UNDERSIGNED RETAINS THE RIGHT TO USE AND GRANT TO OTHERS THE RIGHT TO USE ALL OR ANY PORTION OF THE AREA COVERED BY THE EASEMENT FOR ALL LAWFUL PURPOSES.

THIS EASEMENT SHALL AUTOMATICALLY TERMINATE UPON THE FIRST TO OCCUR OF:

- 1) DEDICATION OF A PUBLIC ROADWAY TO THE BOUNDARIES OF SAID LOTS OR PORTION THEREOF, OR GRANT OF ANOTHER PRIVATE EASEMENT WHICH PROVIDES ACCESS FROM SUCH LOT, OR PORTION THEREOF, TO A PUBLIC OR PRIVATE ROADWAY, OR
- 2) RECORDATION OF A MAP PURSUANT TO THE CALIFORNIA SUBDIVISION MAP ACT COVERING SAID LOTS OR PORTION THEREOF, OR ANY ADJACENT PROPERTY WHICH ESTABLISHES ROADWAYS WHICH PROVIDE ACCESS FROM SAID LOTS OR PORTION THEREOF, TO A PUBLIC OR PRIVATE ROADWAY CONVEYANCE OF ANY NUMBERED LOTS SHOWN ON SAID MAP MUST INCLUDE INGRESS AND EGRESS TO A PUBLIC STREET.

GENERAL NOTES:

1. TRACT NO. 19163 IS SUBJECT TO THE STANDARDS OF THE RANCH PLAN PLANNED COMMUNITY.
2. THIS DEVELOPMENT IS SUBJECT TO THE CONDITIONS OF APPROVAL FOR ALL OF VESTING

Attachment D

TENTATIVE TRACT NO. 19163.

3. ALL STORM DRAIN LINES & APPURTENANCES CONSTRUCTED WITHIN LETTERED LOTS WITHIN THIS MAP SHALL BE OWNED, OPERATED AND MAINTAINED BY THE DEVELOPER, SUCCESSORS OR ASSIGNS.

HIGH FIRE HAZARD AREA NOTE THE DEVELOPMENT IS WITHIN A STATE RESPONSIBILITY AREA (SRA) - VERY HIGH FIRE HAZARD SEVERITY ZONE.

AUTOMATIC FIRE SPRINKLERS

ALL NEW HABITABLE STRUCTURES SHALL BE EQUIPPED THE APPROPRIATE AUTOMATIC FIRE SPRINKLER SYSTEMS PER RANCH PLAN FIRE PROTECTION PROGRAM EXHIBIT 2, SECTION A, CONDITION OF APPROVAL NO. 1, EXCEPT AS NOTED PER THE EXCEPTIONS LISTED IN THE TEXT OF THE CONDITION.

12. Abutter's rights of ingress and egress to or from Williams Way, Saddle Way and Pablo Way have been dedicated or relinquished on the filed Map.

(Affects Lots 31 and 35-37)

13. An easement shown or dedicated on Tract No. 19163, Book 1003, Pages 1 through 16 of Miscellaneous Maps. In favor of the Santa Margarita Water District.
For: Water, sewer and access and incidental purposes.

(Affects Lots 31 and 35)

14. An easement shown or dedicated on Tract No. 19163, Book 1003, Pages 1 through 16 of Miscellaneous Maps. In favor of the Santa Margarita Water District.
For: Water and access and incidental purposes.

(Affects Lot 37)

15. An easement shown or dedicated on Tract No. 19163, Book 1003, Pages 1 through 16 of Miscellaneous Maps. In favor of the Santa Margarita Water District.
For: Sewer and access and incidental purposes.

(Affects Lot 37)

16. Intentionally Deleted

17. The terms and provisions contained in the document entitled Declaration of Restrictive Covenant recorded December 2, 2022 as Instrument No. 2022000396863 of Official Records.

18. Any lien or right to a lien for services, labor or material unless such lien is shown by the Public Records at Date of Policy.

Attachment D

19. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded December 13, 2022 as Instrument No. 2022000404992 as rerecorded on December 14, 2022 as Instrument No. 2022000408038 both of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition, or restriction, if any, indicating a preference, limitation, or discrimination based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, handicap, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, to the extent that such covenants, conditions or restrictions violate applicable state or federal laws. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

Note: You may wish to contact the homeowners association referred to in the above document for information regarding assessments, transfer requirements or other matters.

The terms and provisions contained in the document entitled Supplemental Declaration of Development Covenants, Conditions and Restrictions recorded January 18, 2023 as Instrument No. 2023000012706 of Official Records.

20. Easements, Covenants and Conditions contained in the deed from RMV PA3 Development, LLC, a Delaware limited liability company, as Grantor, to RMV MR 28 - Mission Viejo, L.P., a Delaware limited partnership, as Grantee, recorded January 18, 2023 as Instrument No. Instrument No. 2023000012707 of Official Records. Reference being made to the document for full particulars.
21. The terms and provisions contained in the document entitled Memorandum of Repurchase Option recorded January 18, 2023 as Instrument No. 2023000012708 of Official Records.
22. The terms and provisions contained in the document entitled Memorandum of Option and Development Agreement recorded January 18, 2023 as Instrument No. 2023000012710 of Official Records.
23. The terms and provisions contained in the document entitled Construction License and Indemnity Agreement recorded January 18, 2023 as Instrument No. 2023000012711 of Official Records.

Attachment D
SCHEDULE B

File No.: OSA-6927340

Policy No.: 6927340

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:

None



OWNER'S POLICY OF TITLE INSURANCE

ISSUED BY

First American Title Insurance Company

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Section 18 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a Nebraska corporation (the "Company") insures, as of Date of Policy and, to the extent stated in Covered Risks 9 and 10, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
 - (a) A defect in the Title caused by
 - (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
 - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
 - (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (vii) a defective judicial or administrative proceeding.
 - (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
 - (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (a) the occupancy, use, or enjoyment of the Land;
 - (b) the character, dimensions, or location of any improvement erected on the Land;
 - (c) the subdivision of land; or
 - (d) environmental protection
 if a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
6. An enforcement action based on the exercise of a governmental

police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.

7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. Title being vested other than as stated in Schedule A or being defective
 - (a) as a result of the avoidance in whole or in part, or from a court order providing an alternative remedy, of a transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction vesting Title as shown in Schedule A because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
 - (b) because the instrument of transfer vesting Title as shown in Schedule A constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
 - (i) to be timely, or
 - (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
10. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 9 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this policy, but only to the extent provided in the Conditions.

First American Title Insurance Company

Kenneth D. DeGiorgio, President

Lisa W. Cornehl, Secretary

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risks 9 and 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

- (a) **"Amount of Insurance":** The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b), or decreased by Sections 10 and 11 of these Conditions.
- (b) **"Date of Policy":** The date designated as "Date of Policy" in Schedule A.
- (c) **"Entity":** A corporation, partnership, trust, limited liability company, or other similar legal entity.
- (d) **"Insured":** The Insured named in Schedule A.
 - (i) The term "Insured" also includes
 - (A) successors to the Title of the Insured by operation of law as distinguished from purchase, including heirs, devisees, survivors, personal representatives, or next of kin;
 - (B) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;
 - (C) successors to an Insured by its conversion to another kind of Entity;
 - (D) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title
 - (1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,
 - (2) if the grantee wholly owns the named Insured,
 - (3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity, or
 - (4) if the grantee is a trustee or beneficiary of a trust created by a written instrument established by the Insured named in Schedule A for estate planning purposes.

- (ii) With regard to (A), (B), (C), and (D) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured.
- (e) "Insured Claimant": An Insured claiming loss or damage.
- (f) "Knowledge" or "Known": Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.
- (g) "Land": The land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.
- (h) "Mortgage": Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.
- (i) "Public Records": Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States District Court for the district where the Land is located.
- (j) **"Title":** The estate or interest described in Schedule A.
- (k) **"Unmarketable Title":** Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured hereunder of any claim of title or interest that is adverse to the Title, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

4. PROOF OF LOSS

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS

- (a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.
- (b) The Company shall have the right, in addition to the options contained in

Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.

- (c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal any adverse judgment or order.
6. DUTY OF INSURED CLAIMANT TO COOPERATE
- (a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.
- (b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.
7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY
- In case of a claim under this policy, the Company shall have the following additional options:
- (a) To Pay or Tender Payment of the Amount of Insurance.
To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay. Upon the exercise by the Company of this option, all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in this subsection, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.
- (b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.
- (i) To pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or
- (ii) To pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs,

attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.

- (a) The extent of liability of the Company for loss or damage under this policy shall not exceed the lesser of
- (i) the Amount of Insurance; or
- (ii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy.
- (b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title, as insured,
- (i) the Amount of Insurance shall be increased by 10%, and
- (ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.
- (c) In addition to the extent of liability under (a) and (b), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY

- (a) If the Company establishes the Title, or removes the alleged defect, lien, or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketable Title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.
- (b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title, as insured.
- (c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE: REDUCTION OR TERMINATION OF LIABILITY

All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment.

11. LIABILITY NONCUMULATIVE

The Amount of Insurance shall be reduced by any amount the Company pays under any policy insuring a Mortgage to which exception is taken in Schedule B or to which the Insured has agreed, assumed, or taken subject, or which is executed by an Insured after Date of Policy and which is a charge or lien on the Title, and the amount so paid shall be deemed a payment to the Insured under this policy.

12. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

13. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

- (a) Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.
- If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

- (b) **The Company's right of subrogation includes the rights of the Insured to indemnities, guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.**

- (d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance.

14. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable matters when the Amount of Insurance is in excess of \$2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

16. SEVERABILITY

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

- (a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.
- (b) Any claim of loss or damage that arises out of the status of the Title or by any action asserting such claim shall be restricted to this policy.
- (c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

17. CHOICE OF LAW; FORUM

- (a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefore in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located. Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.
- (b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

18. NOTICES, WHERE SENT

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at 1 First American Way, Santa Ana, CA 92707, Attn: Claims Department.

POLICY OF TITLE INSURANCE



SCHEDULE A

First American Title Insurance Company

Name and Address of Title Insurance Company:

First American Title Insurance Company
1 First American Way
Santa Ana, CA 92707

File No.: OSA-6927334

Policy No.: 6927334

Address Reference: Lots 19, 20, 21, 22, 23, 24, 25, 26, 27, F and 53, 54, 55, 56, P1, P2, P4, tract 19163, unincorporated area, CA

Amount of Insurance: \$47,441,127.00

Premium: \$28,467.00

Date of Policy: December 15, 2022 at 1:15 PM

1. Name of Insured:

AG EHC II (LEN) CA 3, L.P., a Delaware limited partnership

2. The estate or interest in the Land that is insured by this policy is:

A Fee.

3. Title is vested in:

AG EHC II (LEN) CA 3, L.P., a Delaware limited partnership

4. The Land referred to in this policy is described as follows:

Real property in the City of unincorporated area, County of Orange, State of California, described as follows:

PARCEL A:[APN: PORTIONS OF 125-165-86]

LOTS 53 THROUGH 56, INCLUSIVE, AND LETTERED LOTS P1, P2 AND P4 OF TRACT 19163 IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A MAP RECORDED IN BOOK 1003, PAGES 1 THROUGH 16, INCLUSIVE, OF MAPS, IN THE OFFICE OF COUNTY RECORDER OF SAID COUNTY.

EXCEPTING ANY AND ALL RIPARIAN, APPROPRIATIVE, OVERLYING OR OTHER WATER AND WATER RIGHTS AND ANY AND ALL INTERESTS IN SUCH WATER, INCLUDING SURFACE WATER, SUBSURFACE UNDERFLOW, AND PERCOLATING GROUNDWATER APPURTENANT OR RELATING TO SAID LAND, CONVEYED TO RANCHO MISSION VIEJO MUTUAL WATER COMPANY, A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION IN DEED RECORDED APRIL 23, 2012 AS INSTRUMENT NO. 2012000230675 OF OFFICIAL RECORDS.

PARCEL B:[APN: PORTIONS OF 125-165-85 AND 125-165-86]

LOTS 19 THROUGH 27, INCLUSIVE, AND LETTERED LOT F OF TRACT 19163 IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A MAP RECORDED IN BOOK 1003, PAGES 1 THROUGH 16, INCLUSIVE, OF MAPS, IN THE OFFICE OF COUNTY RECORDER OF SAID COUNTY.

EXCEPTING ANY AND ALL RIPARIAN, APPROPRIATIVE, OVERLYING OR OTHER WATER AND WATER RIGHTS AND ANY AND ALL INTERESTS IN SUCH WATER, INCLUDING SURFACE WATER,

SUBSURFACE UNDERFLOW, AND PERCOLATING GROUNDWATER APPURTENANT OR RELATING TO SAID LAND, CONVEYED TO RANCHO MISSION VIEJO MUTUAL WATER COMPANY, A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION IN DEED RECORDED APRIL 23, 2012 AS INSTRUMENT NO. 2012000230675 OF OFFICIAL RECORDS.

SCHEDULE B

File No.: OSA-6927334

Policy No.: 6927334

EXCEPTIONS FROM COVERAGE

This Policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

The Following Matters Affect Parcel A:

1. General and special taxes and assessments for the fiscal year 2022-2023.

First Installment:	\$27,235.74, PAID
Penalty:	\$0.00
Second Installment:	\$27,235.74, OPEN
Penalty:	\$0.00
Tax Rate Area:	82-105
A. P. No.:	125-165-86

Affects: The land and other property.

2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
3. The terms and provisions contained in the document entitled "Agreement for Financing Public School Facilities" recorded June 27, 1985 as Instrument No. 85-237046 of Official Records.
4. The terms and provisions contained in the document entitled "Rancho Mission Viejo Development Agreement County of Orange (Ranch Plan Project)" recorded December 6, 2004 as Instrument No. 2004001082094 of Official Records.

The terms and provisions contained in the document entitled "Assignment and Assumption Agreement" recorded December 13, 2022 as Instrument No. 2022000404996 of Official Records.
5. The terms and provisions contained in the document entitled "Notice of Settlement and Declaration of Restrictions" recorded August 17, 2005 as Instrument No. 2005000648330 of Official Records.
6. The terms and provisions contained in the document entitled "Secured Fire Protection Agreement" recorded April 04, 2007 as Instrument No. 2007000218114 of Official Records.
7. The terms and provisions contained in the document entitled "Memorandum of School Facilities and Funding Agreement and Option to Purchase School Site" recorded January 31, 2014 as Instrument No. 2014000040452 of Official Records.
8. The terms and provisions contained in the document entitled Grant and Conveyance of Telecommunication Easements recorded December 30, 2020 as Instrument No. 2020000775536 of Official Records.

The terms and provisions contained in the document entitled Assignment and Assumption of Telecommunication Rights recorded December 30, 2020 as Instrument No. 2020000775538 of Official Records.

Affects: LETTERED LOTS P1, P2 AND P4

9. Abutter's rights of ingress and egress to or from Williams Way have been dedicated or relinquished on the filed Map of Tract 19163.
10. An easement in favor of RMV PA3 Development, LLC, as shown or dedicated on the Map of Tract 19163
For: access and incidental purposes.
11. An easement in favor of the Santa Margarita Water District shown or dedicated on the Map of Tract 19163
For: water, sewer and access and incidental purposes.

Easements shall be subject to the same terms and conditions as shown in that certain easement recorded October 6, 1980 in Book 13776, Page 341, of Official Records, County of Orange.

12. The following matters shown or disclosed by the filed or recorded map referred to in the legal description:
 1. Tract No. 19163 is subject to the standards of the ranch plan planned community.
 2. This development is subject to the conditions of approval for all of the vesting tentative tract no. 19163.
 3. All storm drain lines & appurtenances constructed within lettered lots within this map shall be owned, operated and maintained by the developer, successors or assigns.

High Fire Hazard Area Note

The development is within a state responsibility area (SRA) - very high fire hazard severity zone.

Automatic Fire Sprinklers

All new habitable structures shall be equipped with appropriate automatic fire sprinkler systems per ranch plan fire protection program exhibit 2, sections A, condition of approval no. 1, except as noted per the exceptions listed in the text of the condition.

Lots A through S, are for open space/slopes and not separate building sites.

13. The terms and provisions contained in the document entitled Declaration of Restrictive Covenant (Subarea 3.2B) recorded November 2, 2022 as Instrument No. 2022000396863 of Official Records.

14. Covenants, conditions, restrictions and easements in the document recorded December 13, 2022 as Instrument No. 2022000404992 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition, or restriction, if any, indicating a preference, limitation, or discrimination based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, handicap, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, to the extent that such covenants, conditions or restrictions violate applicable state or federal laws. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

The terms and provisions contained in the document entitled Supplemental Declaration of Development of Covenants, Conditions and Restrictions recorded December 15, 2022 as Instrument No. 2022000409220 of Official Records.

15. Easements, Covenants and Conditions contained in the deed from RMV PA3 Development, LLC, a Delaware limited liability company, as Grantor, to AG EHC II (LEN) CA 3, L.P., a Delaware limited partnership, as Grantee, recorded December 15, 2022 as Instrument No. Instrument No. 2022000409221 of Official Records. Reference being made to the document for full particulars.
16. The terms and provisions contained in the document entitled Memorandum of Repurchase Option recorded December 15, 2022 as Instrument No. 2022000409222 of Official Records.
17. The terms and provisions contained in the document entitled Amended and Restated Memorandum of Option Agreement recorded December 15, 2022 as Instrument No. 2022000409227 of Official Records.

The Following Matters Affect Parcel B:

18. General and special taxes and assessments for the fiscal year 2022-2023.
- | | |
|---------------------|-------------------|
| First Installment: | \$27,235.74, PAID |
| Penalty: | \$0.00 |
| Second Installment: | \$27,235.74, OPEN |
| Penalty: | \$0.00 |
| Tax Rate Area: | 82-105 |
| A. P. No.: | 125-165-86 |

Affects: The land and other property.

- 1A. General and special taxes and assessments for the fiscal year 2022-2023.

First Installment:	\$3,768.32, PAID
Penalty:	\$0.00
Second Installment:	\$3,768.32, OPEN
Penalty:	\$0.00
Tax Rate Area:	82-105
A. P. No.:	125-165-85

Affects: The land and other property.

19. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
20. The terms and provisions contained in the document entitled "Agreement for Financing Public School Facilities" recorded June 27, 1985 as Instrument No. 85-237046 of Official Records.
21. The terms and provisions contained in the document entitled "Rancho Mission Viejo Development Agreement County of Orange (Ranch Plan Project)" recorded December 6, 2004 as Instrument No. 2004001082094 of Official Records.

The terms and provisions contained in the document entitled "Assignment and Assumption Agreement" recorded December 13, 2022 as Instrument No. 2022000404996 of Official Records.

22. The terms and provisions contained in the document entitled "Notice of Settlement and Declaration of Restrictions" recorded August 17, 2005 as Instrument No. 2005000648330 of Official Records.
23. The terms and provisions contained in the document entitled "Secured Fire Protection Agreement" recorded April 04, 2007 as Instrument No. 2007000218114 of Official Records.
24. The terms and provisions contained in the document entitled "Memorandum of School Facilities and Funding Agreement and Option to Purchase School Site" recorded January 31, 2014 as Instrument No. 2014000040452 of Official Records.
25. The terms and provisions contained in the document entitled Grant and Conveyance of Telecommunication Easements recorded December 30, 2020 as Instrument No. 2020000775536 of Official Records.

The terms and provisions contained in the document entitled Assignment and Assumption of Telecommunication Rights recorded December 30, 2020 as Instrument No. 2020000775538 of Official Records.

Affects: LETTERED LOT F

26. Abutter's rights of ingress and egress to or from Williams Way have been dedicated or relinquished on the filed Map of Tract 19163.
27. An easement in favor of RMV PA3 Development, LLC, as shown or dedicated on the Map of Tract 19163
For: access and incidental purposes.
28. An easement in favor of the Santa Margarita Water District shown or dedicated on the Map of Tract 19163
For: water, sewer and access and incidental purposes.

Easements shall be subject to the same terms and conditions as shown in that certain easement recorded October 6, 1980 in Book 13776, Page 341, of Official Records, County of Orange.

29. The following matters shown or disclosed by the filed or recorded map referred to in the legal description:

1. Tract No. 19163 is subject to the standards of the ranch plan planned community.

2. This development is subject to the conditions of approval for all of the vesting tentative tract no. 19163.

3. All storm drain lines & appurtenances constructed within lettered lots within this map shall be owned, operated and maintained by the developer, successors or assigns.

High Fire Hazard Area Note

The development is within a state responsibility area (SRA) - very high fire hazard severity zone.

Automatic Fire Sprinklers

All new habitable structures shall be equipped with appropriate automatic fire sprinkler systems per ranch plan fire protection program exhibit 2, sections A, condition of approval no. 1, except as noted per the exceptions listed in the text of the condition.

Lots A through S, are for open space/slopes and not separate building sites.

30. The terms and provisions contained in the document entitled Declaration of Restrictive Covenant (Subarea 3.2B) recorded December 2, 2022 as Instrument No. 2022000396863 of Official Records.
31. The terms and provisions contained in the document entitled Declaration of Development Covenants, Conditions and Restrictions (MR24) recorded December 13, 2022 as Instrument No. Instrument No. 2022000404992 as rerecorded on December 14, 2022 as Instrument No. 2022000408038 of Official Records.
32. Easements, Covenants and Conditions contained in the deed from RMV PA3 Development, LLC, a Delaware limited liability company, as Grantor, to AG EHC II (LEN) CA 3, L.P., a Delaware limited partnership, as Grantee, recorded December 15, 2022 as Instrument No. Instrument No. 2022000409224 of Official Records. Reference being made to the document for full particulars.
33. The terms and provisions contained in the document entitled Memorandum of Repurchase Option recorded December 15, 2022 as Instrument No. 2022000409225 of Official Records.
34. A deed of trust to secure the performance of an agreement or other obligation, recorded December 15, 2022 as Instrument No. 2022000409226 of Official Records.

Dated:	December 15, 2022
Trustor:	Tri Pointe Homes Holdings, Inc., a Delaware corporation
Trustee:	First American Title Insurance Company, a California corporation
Beneficiary:	RMV PA3 Development, LLC, a Delaware limited liability company

35. The terms and provisions contained in the document entitled Amended and Restated Memorandum of Option Agreement recorded December 15, 2022 as Instrument No. 2022000409227 of Official Records.



First American Title

COVENANTS, CONDITIONS AND RESTRICTIONS - UNIMPROVED LAND -
OWNER'S POLICY ENDORSEMENT

Issued by
First American Title Insurance Company

Attached to Policy No.: 6927334

File No.: OSA-6927334

1. The insurance provided by this endorsement is subject to the exclusions in Section 4 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.
2. For the purposes of this endorsement only, "Covenant" means a covenant, condition, limitation or restriction in a document or instrument in effect at Date of Policy.
3. The Company insures against loss or damage sustained by the Insured by reason of:
 - a. A violation on the Land at Date of Policy of an enforceable Covenant, unless an exception in Schedule B of the policy identifies the violation; or
 - b. A notice of a violation, recorded in the Public Records at Date of Policy, of an enforceable Covenant relating to environmental protection describing any part of the Land and referring to that Covenant, but only to the extent of the violation of the Covenant referred to in that notice, unless an exception in Schedule B of the policy identifies the notice of the violation.
4. This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from:
 - a. any Covenant contained in an instrument creating a lease;
 - b. any Covenant relating to obligations of any type to perform maintenance, repair, or remediation on the Land; or
 - c. except as provided in Section 3.b, any Covenant relating to environmental protection of any kind or nature, including hazardous or toxic matters, conditions, or substances.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date: December 15, 2022

FIRST AMERICAN TITLE INSURANCE COMPANY

By: 
Kenneth D. DeGiorgio, President

By: 
Lisa W. Cornehl, Secretary

By:
Authorized Countersignature

Form 50-10800 (7-1-14)	Page 13 of 20	ALTA 9.1-06 Covenants, Conditions and Restrictions, Unimproved Land - Owner's Policy (Rev. 4-2-12)
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First American Title

WATER RIGHTS, SURFACE
DAMAGE ENDORSEMENT

Issued by

First American Title Insurance Company

Attached to Policy No.: 6927334

File No.: OSA-6927334

The Company insures against loss or damage sustained by the Insured by reason of damage to existing and/or future improvements, including lawns, shrubbery or trees, resulting from the exercise of any right to use the surface of the Land for the extraction or development of water excepted from the description of the Land or shown as a reservation in Schedule B.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date: December 15, 2022

FIRST AMERICAN TITLE INSURANCE COMPANY

By: 
Kenneth D. DeGiorgio, President

By: 
Lisa W. Cornehl, Secretary

By:
Authorized Countersignature



First American Title

MINERALS – SURFACE DAMAGE
ENDORSEMENT

Issued by

First American Title Insurance Company

Attached to Policy No.: 6927334

File No.: OSA-6927334

The Company insures against loss sustained by reason of damage to existing and/or future improvements, including lawns, shrubbery or trees resulting from the exercise of any right to use the surface of the Land for the extraction or development of the minerals excepted from the description of the Land or shown as a reservation in Schedule B.

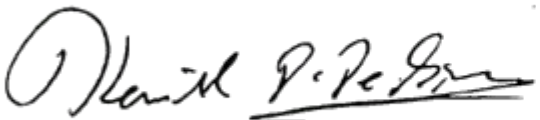
This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from:

- a. contamination, explosion, fire, vibration, fracturing, earthquake or subsidence; [or]
- b. negligence by a person or an Entity exercising a right to extract or develop minerals or other subsurface substances [;or]
- c. .

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date: December 15, 2022

FIRST AMERICAN TITLE INSURANCE COMPANY

By: 
Kenneth D. DeGiorgio, President

By: 
Lisa W. Cornehl, Secretary

Name of Agent

By:
Authorized Countersignature

Form 50-11198 (2-23-15)	Page 16 of	CLTA 100.29-06 Minerals - Surface Damage (Rev. 9-8-13) ALTA - Owner or Lender
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First American Title

SUBDIVISION ENDORSEMENT

Issued by

First American Title Insurance Company

Attached to Policy No.: 6927334

File No.: OSA-6927334

The Company insures against loss or damage sustained by the Insured by reason of the failure of the Land to constitute a lawfully created parcel according to the subdivision statutes and local subdivision ordinances applicable to the Land.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date: December 15, 2022

FIRST AMERICAN TITLE INSURANCE COMPANY

By: 
Kenneth D. DeGiorgio, President

By: 
Lisa W. Cornehl, Secretary



First American Title

ENVIRONMENTAL PROTECTION
LIEN ENDORSEMENT

Issued by

First American Title Insurance Company

Attached to Policy No.: 6927334

File No.: OSA-6927334

The insurance afforded by this endorsement is only effective if the Land is used or is to be used primarily for residential purposes.

The Company insures against loss or damage sustained by the Insured by reason of lack of priority of the lien of the Insured Mortgage over

- a. any environmental protection lien that, at Date of Policy, is recorded in those records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge, or is filed in the records of the clerk of the United States district court for the district in which the Land is located, except as set forth in Schedule B; or
- b. any environmental protection lien provided by any state statute in effect at Date of Policy, except environmental protection liens provided by the following state statutes: NONE

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date: December 15, 2022

FIRST AMERICAN TITLE INSURANCE COMPANY

By: 
Kenneth D. DeGiorgio, President

By: 
Lisa W. Cornehl, Secretary

Form 50-10020 (7-1-14)	Page 18 of 20	ALTA 8.1-06 Environmental Protection Lien (6-17-06) CLTA 110.9-06 (6-17-06)
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First American Title

DELETION OF ARBITRATION - ALTA OWNER'S POLICY
ENDORSEMENT

Issued by

First American Title Insurance Company

Attached to Policy No.: 6927334

File No.: OSA-6927334

1. The policy is hereby amended by deleting Paragraph 14 from the Conditions of the policy.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date: December 15, 2022

FIRST AMERICAN TITLE INSURANCE COMPANY

By: 
Kenneth D. DeGiorgio, President

By: 
Lisa W. Cornehl, Secretary

By:
Authorized Countersignature



First American Title

POLICY AUTHENTICATION ENDORSEMENT

Issued by

First American Title Insurance Company

Attached to Policy No.: 6927334

File No.: OSA-6927334

When the policy is issued by the Company with a policy number and Date of Policy, the Company will not deny liability under the policy or any endorsements issued with the policy solely on the grounds that the policy or endorsements were issued electronically or lack signatures in accordance with the Conditions.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

IN WITNESS WHEREOF, the Company has caused this endorsement to be issued and become valid when signed by an authorized officer or licensed agent of the Company.

Date: December 15, 2022

FIRST AMERICAN TITLE INSURANCE COMPANY

By: 
Kenneth D. DeGiorgio, President

By: 
Lisa W. Cornehl, Secretary

By: _____
Authorized Countersignature