

APPRAISAL REPORT

CITY OF FONTANA COMMUNITY FACILITIES DISTRICT NO. 112 (The Gardens Phase One)

City of Fontana, San Bernardino County, California
(Appraisers' File No. 2024-1300)



Prepared For
City of Fontana
8353 Sierra Avenue
Fontana, California 92335

Prepared By
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KITTY SIINO & ASSOCIATES, IC.
REAL ESTATE APPRAISERS & CONSULTANTS

September 30, 2024

Jessica Brown, Chief Financial Officer
City of Fontana
8353 Sierra Avenue
Fontana, CA 92335

Reference: Appraisal Report
City of Fontana Community Facilities District No. 112 (The Gardens Phase One)
Generally Southeast of Duncan Canyon Road and Cassava Drive
Fontana, California

Dear Ms. Brown:

At the request and authorization of the City of Fontana, we have completed an Appraisal Report for The City of Fontana Community Facilities District No. 112 (The Gardens Phase One) ("Fontana CFD No. 112") which consists of a portion of the Gardens community within the Arboretum master plan, located in the northern portion of the City of Fontana. The Gardens Phase One includes a total of 526 proposed homes being built-out into six neighborhoods by Lennar Homes. The six neighborhoods include Dayflower, Blue Sage, Acacia, Silverberry, Wildrose and Azalea. Dayflower is proposed for 69 homes in a triplex format. Blue Sage is proposed for 99 detached condominium homes, Acacia is proposed for 109 homes on minimum 2,700 square foot lots, Silverberry is proposed for 97 homes on minimum 4,000 square foot lots, Wild Rose is proposed for 88 homes on minimum 4,950 square foot lots and Azalea is proposed for 64 homes on minimum 6,000 square foot lots. All are being developed by Lennar Homes of California, LLC ("Lennar"). Out of the total 526 proposed homes within The Gardens Phase One, 366 have closed to individual homeowners to date with an additional 81 in escrow which are due to close upon completion. The remaining property is held by Lennar and AG EHC II (LEN) CA2, L.P. ("AG EHC II"), a landbank company for Lennar. The builder-owned property ranges from completed model homes to houses under construction to physically finished lots and/or pads.

The valuation methods used in this report are the Sales Comparison Approach, a Discounted Cash Flow Analysis and a Mass Appraisal Technique as defined within this report. The fee simple estate of the subject property has been valued, subject to the Fontana CFD No. 112 special tax lien. This report is written with the hypothetical condition that the subject property is enhanced by the improvements and/or fee credits to be funded by the Special Tax Bonds of Fontana CFD No. 112. As a result of our investigation, the concluded minimum market value for the subject property is shown below.

The Gardens Phase One:

| | |
|--|-----------------------------|
| Lennar (75 lots/pads & 55 houses) | \$ 46,873,063 |
| AG EHC II (30 lots/pads) | \$ 7,679,851 |
| Individual Owners (366 houses) | <u>\$237,352,185</u> |
| Total Aggregate Value CFD No. 112 | <u>\$291,905,099</u> |

The values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of August 25, 2024.

Jessica Brown
City of Fontana
September 30, 2024
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Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. This Appraisal Report is intended to comply with both the Uniform Standards of Professional Appraisal Practice ("USPAP" January 2020/2022) and with the Appraisal Standards of the California Debt and Investment Advisory Commission ("CDIAC"). The appraiser is not responsible for unauthorized use of this report.

This letter of transmittal is part of the attached report, which sets forth the data and analyses upon which our opinion of value is, in part, predicated.

Respectfully submitted,

KITTY SIINO & ASSOCIATES, INC.

A handwritten signature in cursive script, reading "K. Siino". The signature is written in dark ink on a white background.

Kitty S. Siino, MAI
California State Certified General
Real Estate Appraiser (AG004793)

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ADDENDA

Fontana CFD No. 112 Boundary Map
Tract Map Nos. 20362 and 20363 and 20364 & Site Plans
California Fire Hazard Map
Discounted Cash Flow Analysis
Finished Lot Land Sales Map and Summary Chart
Improved Residential Sales Map and Summary Chart
Appraiser's Qualifications

ASSUMPTIONS AND LIMITING CONDITIONS

1. This report might not include full discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. It is assumed that the subject property is subject to the special tax lien of Fontana CFD No. 112.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable; however, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material used in this report are included only to assist the reader in visualizing the property and may not be to scale.
7. It is assumed that there are no hidden or unapparent conditions of either property, subsoil or structures that would render them more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch or photograph included in this report may show approximate dimensions and is included only to assist the reader in visualizing the properties. Maps, photographs and exhibits found in this report are provided for reader reference purposes only. No guarantee regarding accuracy is expressed or implied unless

otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements (if any) are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such a determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials that may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Proposed improvements, if any, are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings, if any, must not be used in conjunction with any other appraisal and are invalid if so used.
16. The Americans with Disabilities Act ("ADA") became effective on January 26, 1992, and have been updated several times since then. The appraiser has made no specific compliance survey and analysis of the property to determine whether they conform to the various detailed requirements of the ADA, nor is the appraiser a qualified expert regarding the requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, a possible noncompliance with requirements of the ADA in estimating the value has not been considered.
17. It is assumed there are no environmental concerns that would slow or thwart development of the subject properties and that the soils are adequate to support the highest and best use conclusions.

18. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper qualification and only in its entirety. Permission is given for this appraisal to be published as a part of the Official Statement or similar document for the Fontana CFD No. 112 special tax bonds.

HYPOTHETICAL CONDITION

1. It is assumed that all improvements and benefits to the subject properties, which are to be funded by the City of Fontana CFD No. 112 Special Tax Bond Proceeds are completed and in place.

EXTRAORDINARY ASSUMPTION

1. It is assumed that the sales information and remaining development costs as reported by the builder and summarized in the report are correct. Regarding sales, we have reviewed samples of closed sales against public record when available; however, we have not reviewed escrow documents on each sale. Regarding costs, we have not received detailed remaining land development costs and fees and are relying on the builder and their representatives as we are not experts in the field of construction estimation. If actual costs differ, it may change the value conclusions.
2. It is assumed that homebuyers and the homeowner's associations within Fontana CFD No. 112 can obtain fire insurance. The property is within a recommended Very High Fire Severity Zone by CalFire. While fire breaks and fire roads have been incorporated into the development, recently insurance companies have been leaving California high fire zones. It is the appraiser's understanding fire insurance is currently available on the subject homes. Due to the current insurance atmosphere in California, it is an extraordinary assumption that fire insurance will continue to be available.

City of Fontana
Community Facilities District No. 112
The Gardens Phase One (Lennar)



PURPOSE OF THE APPRAISAL

The purpose of this appraisal report is to estimate the value of the fee simple interest of the subject property, subject to the special tax lien of Fontana CFD No. 112.

THE SUBJECT PROPERTY

The subject property consists of 526 proposed single-family homes being developed into Phase One of the community known as The Gardens within the master planned community known as The Arboretum in the City of Fontana ("City"). The Gardens Phase One is located along both sides of Cassava Drive, south of Duncan Canyon Road and north of Casa Grande Avenue. The community is being built and sold by Lennar and features six neighborhoods. Dayflower is proposed for 69 homes in a triplex format with two detached homes and one carriage house up over the garages. The homes range in size from 1,563 to 1,669 square feet. Blue Sage includes 99 proposed single-family detached homes on detached condominium lots with a size range of 1,651 to 1,970 square feet. Acacia is proposed for 109 single-family detached homes on minimum 2,700 square foot small lots with home sizes ranging from 2,213 to 2,472 square feet. Silverberry is proposed for 97 single-family detached homes on minimum 4,000 square foot lots with home sizes from 2,449 to 2,877 square feet. Wildrose is proposed for 88 single-family detached homes on minimum 4,700 square foot lots with home sizes from 1,905 to 3,105 square feet and Azalea is proposed for 64 single family detached homes on minimum 6,000 square foot lots with home sizes from 2,215 to 3,339 square feet. The Gardens Phase One is encompassed by a portion of Tract Map 20362 and Tract Maps 20363 and 20364 along with subsequent condominium maps on Lot 5 and 6 of Tract 20362, all of which subdivide the property into 526 residences. Lennar uses a land bank company (AG EHC II) to fund the lots with options to purchase them back at certain intervals. The lots vary in status from completed models and production homes, to homes under construction to generally finished lots/pads. The description, ownership and condition of the lands are detailed in the chart on the following page.

| Description / Name | No. Units | Owner | Product / Condition / Status |
|--|------------|-------------|---|
| Dayflower (Triplex) Lot 6 of Tract 20362 | | | |
| Units 1041, 1043, 1051, 1091, 1101-1103, 1111-1113, 1121-1123, 1131-1133, 1141-1143, 1151-1153, 1161-1163, 1171-1173, 1181, 1191-1193, 1201-1203, 1211-1213, 1221-1223, 1231-1233, 1241-1243 and 1251-1253 | 50 | Individuals | Completed Homes |
| Units 1011 – 1013 | 3 | Lennar | Model Homes (0 in escrow) |
| Units 1042, 1052-1053 | 3 | Lennar | Homes over 95% (3 in esc) |
| Units 1021-1023, 1031-1033, 1061-1063, 1071-1073 and 1081 | 13 | Lennar | Homes Under Construction (12 in escrow) |
| N/A | 0 | Lennar | Finished Pads/Lots |
| Subtotal Dayflower | 69 | | |
| Blue Sage (Condo Lots Detached) Lot 5 of Tract 20362 – Units 1-99 | | | |
| Units 1-34, 41-56, 63-70 and 91-99 | 67 | Individuals | Completed Homes |
| Units 79-81 | 3 | Lennar | Model Homes |
| N/A | 0 | Lennar | Homes over 95% |
| Units 35-40, 71-78 and 84-90 | 21 | Lennar | Homes U/C (11 in escrow) |
| Units 57-62 and 82-83 | 8 | AG EHC II | Finished Pads |
| Subtotal Blue Sage | 99 | | |
| Acacia (2,700 sf SFD lots) Lots 1- 109 of Tract 20364 | | | |
| Lots 1-35, 59-64, 78-81, 95-109 | 60 | Individuals | Completed Homes |
| Lots 48-49 | 2 | Lennar | Model Homes |
| Lots 74-77 and 82-85 | 8 | Lennar | Homes over 95% (8 in esc) |
| Lots 36-37, 65-73 and 86-94 | 20 | Lennar | Homes U/C (10 in escrow) |
| Lots 38-44 | 7 | AG EHC II | Homes U/C (none in escrow) |
| Lots 45-47 | 3 | Lennar | Finished Lots |
| Lots 50-58 | 9 | AG EHC II | Finished Lots |
| Subtotal Acacia | 109 | | |
| Silverberry (4,000 sf lots) Lots 58-71, 77-78, 123-190, 194-206 of Tract 20363. | | | |
| Lots 58-71, 123-178 and 205 | 71 | Individuals | Completed Homes |
| Lots 77-78 | 2 | Lennar | Model Homes |
| Lots 179-183, 200-204 and 206 | 11 | Lennar | Homes over 95% (11 in esc) |
| Lots 184-186 and 196-199 | 7 | Lennar | Homes U/C (7 in escrow) |
| Lots 187-190 and 194-195 | 6 | AG EHC II | Homes U/C (none in escrow) |
| Subtotal Silverberry | 97 | | |
| Wildrose (4,700 sf lots) Lots 18-57, 75-76, 191-193 and 207-249 of Tract 20363 | | | |
| Lots 29-31, 35-57, 207-221, 225-249 | 66 | Individuals | Completed Homes |
| Lots 75-76 | 2 | Lennar | Model Homes |
| Lots 25-28, 32-34, 192-193, 222-224 | 12 | Lennar | Homes over 95% (10 in esc) |
| Lots 18-24 and 191 | 8 | Lennar | Homes U/C (2 in escrow) |
| N/A | 0 | | Finished Lots |
| Subtotal Wildrose | 88 | | |
| Azalea (6,000 sf lots) Lots 1-17, 72-74, 79-122 of Tract 20363 | | | |
| Lots 2-17, 81-82 and 88-100 and 102-122 | 52 | Individuals | Completed Homes |
| Lots 72-73 | 2 | Lennar | Models |
| Lots 1, 83-87 and 101 | 7 | Lennar | Homes over 95% (7 in esc) |
| N/A | 0 | | Homes U/C |
| Lots 74, 79 and 80 | 3 | Lennar | Finished Lots |
| Subtotal Azalea | 64 | | |
| TOTAL CFD No. 112 | 526 | | |

INTENDED USE OF THE REPORT

It is the appraiser's understanding that the client, the City of Fontana, will utilize this report in disclosure documents related to the sale of the Fontana CFD No. 112 Special Tax Bonds. This report may be included in the Official Statement or similar document to be distributed in connection with the marketing and offering of the bonds. It is the appraiser's understanding that there are no other intended uses of this report.

DEFINITIONS

Market Value

The term "Market Value" as used in this report is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, 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 each acting in what he or she considers his or her own best interest;*
- 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

Inherent in the Market Value definition is exposure time or the time the subject property would have been exposed on the open market prior to the appraisal in order to sell at the concluded values. In the case at hand and considering current market conditions, the exposure time for each individually owned property or the entire Lennar owned property or investor-owned property (AG EHC II), in a bulk sale, is less than one year.

¹ The Appraisal of Real Estate, 13th Edition

Finished Lot/Pad

The term "Finished Lot/Pad" is defined as:

"A parcel which has legal entitlements created by a recorded subdivision or condominium map, whose physical characteristics are a fine graded level pad per lot/pad with infrastructure contiguous to each individual lot/pad, asphalt paved roads and the necessary utilities. This term assumes the payment of all applicable development fees with the exception of building permit and plan check fees."

Minimum Market Value

The term "Minimum Market Value" as used in this report is defined as:

"The base market value of a new home. That is, most buyers purchase some upgrades, options and/or lot premiums when purchasing a new home. The sales price for the new home typically includes the base price for the plan, plus any upgrades, options or lot premiums, less concessions, if any, which were given or paid for by the builder. The concluded minimum market value is for the base value of the plan only, not taking into consideration any upgrades, options or premiums and taking into consideration all concessions."

Mass Appraisal Technique

The term "Mass Appraisal" as used in this report is defined as:

"The process of valuing a universe of properties as of a given date using standard methodology employing common data and allowing for statistical testing"²

In the case at hand, the statistical testing included reviewing all original builder sales and reviewing the Multiple Listing Service ("MLS") for any resales and/or current listings of each plan type. In addition, we have determined the actual range of sales prices for each plan type which will be utilized in the valuation process. The search of the MLS resulted in three homes currently listed for resale with one pending within the subject property.

Hypothetical Condition

The term "Hypothetical Condition" is defined by USPAP as:

² USPAP 2018-2019 Edition

“A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis”

The Hypothetical Condition within this report is that subject property is enhanced by the improvements and/or fee credits to be funded by bonds issued by Fontana CFD No. 112.

Extraordinary Assumptions

The term “Extraordinary Assumption” is defined by USPAP as:

“An assignment specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions”

There are two Extraordinary Assumptions within this report. The first is that the sales information and the cost information received from Lennar and/or their representatives are true and accurate. Regarding the sales information, we have reviewed sample closings against public record and the information appears reasonable, however we have not reviewed escrow documents on the sales. Regarding costs, we have received a high summarized cost with no detail to review from the builder. We are not experts in the field of cost estimating. It should be noted that these costs were relied upon for the value conclusion and, if the remaining costs differ, it may change the value conclusion.

The second Extraordinary Assumption is that fire insurance will continue to be available for all property within the district. The property is within a recommended Very High Fire Severity Zone by CalFire. While fire resistant construction has been incorporated into the development, recently insurance companies have been leaving California high fire zones. It is the appraiser’s understanding fire insurance is currently available on the subject homes. Due to the current insurance atmosphere in California, it is an extraordinary assumption that fire insurance will continue to be available.

PROPERTY RIGHTS APPRAISED

The property rights being appraised are of a fee simple estate interest, subject to easements of record and the special tax lien of Fontana CFD No. 112. The definition of “fee simple estate” is defined as:

“absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”³

EFFECTIVE DATE OF VALUE

The subject property is valued as of August 25, 2024.

DATE OF REPORT

The date of this report is September 30, 2024.

SCOPE OF APPRAISAL

As previously stated, the purpose of this appraisal is to report the appraiser’s best estimate of the market value for the subject property, Fontana CFD No. 112, which is known as Phase One of The Gardens within the master plan known as The Arboretum. Lennar is the builder and is actively marketing six neighborhoods of homes with three nearing sell-out. The Gardens Phase One offers one and two-story floorplans both attached and detached, ranging in size from 1,563 to 3,339 square feet with product types ranging from triplexes to single-family detached homes on 6,000 square foot minimum lots. There are a total of 526 proposed homes within The Gardens Phase One. This appraisal will be presented in the following format:

- County of San Bernardino Description
- City of Fontana Description
- The Arboretum Specific Plan / Immediate Surroundings Description
- Brief Description of Fontana CFD No. 112
- Subject Property Description
- Inland Empire Residential Market Analysis
- Highest and Best Use Analysis
- Valuation Procedure, Analysis and Conclusions
- Appraisal Report Summary

³ The Appraisal of Real Estate, 13th Edition

In valuing the subject property, the value estimates will be based upon the highest and best use conclusion using the Sales Comparison Approach. The Sales Comparison Approach to value is defined as:

*"...a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sales prices of the comparables based on the elements of comparison. The Sales Comparison Approach may be used to value improved properties, vacant land or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparables is available."*⁴

In the Sales Comparison Approach, market value is estimated by comparing properties similar to the subject that have recently been sold, are listed for sale or are under contract. Neither a cost or income approach was utilized as they were not considered necessary to arrive at credible results. In addition, we have utilized a mass appraisal technique which included reviewing all builder sales and searching the MLS for any resales and/or resale listings.

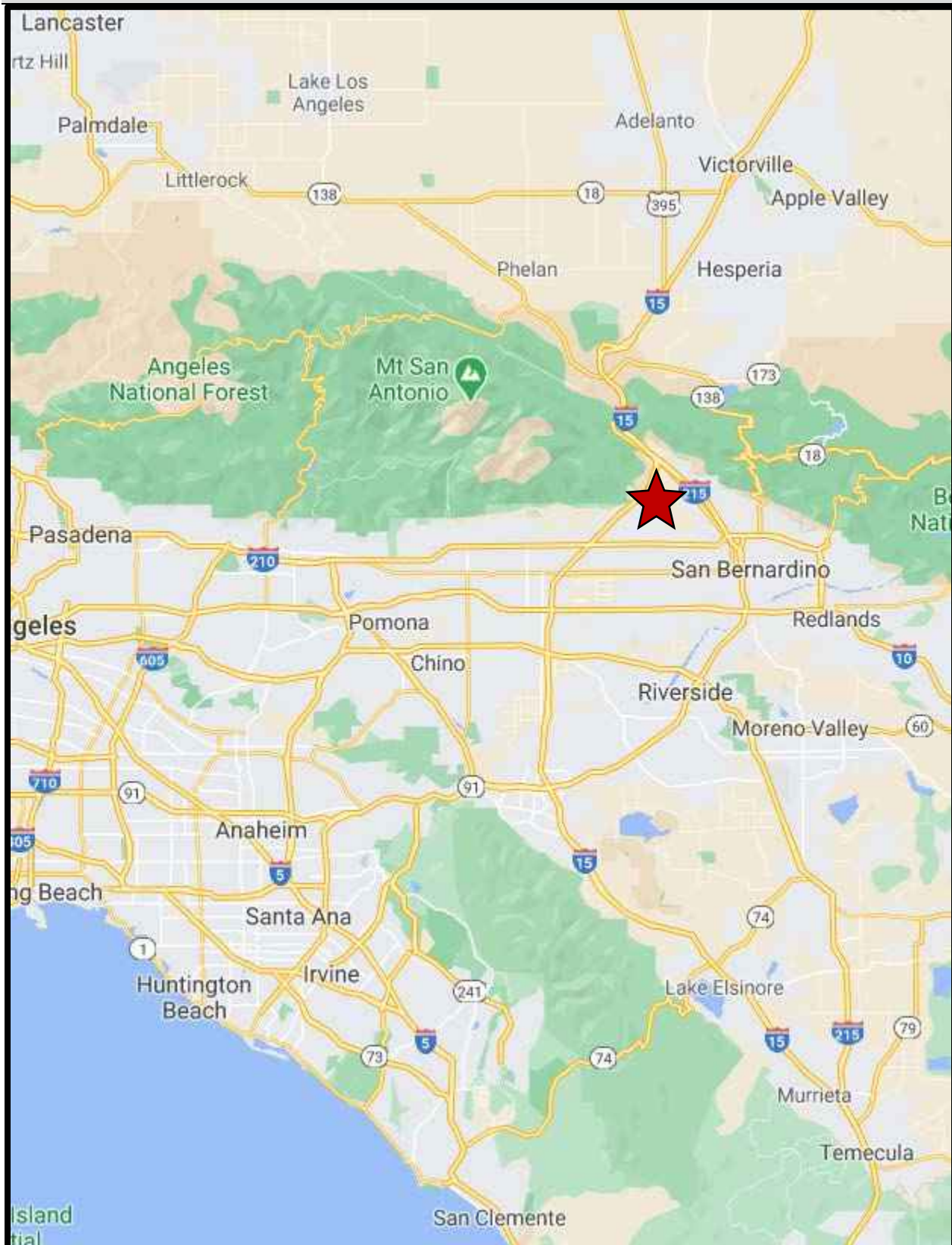
The due diligence of this appraisal report included the following:

1. Compiled demographic information and related that data to the subject property to perform a feasibility/demand analysis.
2. Gathered and analyzed information on the subject marketplace, reviewed several real estate brokerage publications on historical and projected growth in the subject market and researched the micro- and macro-economic outlook within San Bernardino County and the Fontana area.
3. Inspected the subject property between July 15, 2024, and August 25, 2024.
4. Had the site flown by an aerial photographer on August 10, 2024.
5. Interviewed representatives from Lennar and/or their consultants in order to obtain project information.
6. Reviewed preliminary title reports on the subject property.
7. Reviewed The Arboretum Specific Plan, the controlling land use document on the subject property.

⁴ Dictionary of Real Estate Appraisal, Fourth Edition, 2002

8. Searched the area for relevant comparable residential land sales, inspected and verified each sale with a buyer or seller or broker familiar with the transaction.
9. Searched the area for relevant comparable new home residential projects, including sales prices and concessions and interviewed representatives from each comparable project.
10. Reviewed the sales brochures and websites for the subject communities.
11. Reviewed developer sales information on each home within each neighborhood in the community along with reviewing public record on sample lots in each community.
12. Reviewed Multiple Listing Service information to determine if there are any resales, pending resales or listings of resale homes.

REGIONAL AREA MAP



COUNTY OF SAN BERNARDINO AREA DESCRIPTION

Location

The subject property is located in the southwestern portion of San Bernardino County, in the northern most portion of the City of Fontana, along both sides of Cassava Drive, south of Duncan Canyon Road.

San Bernardino County (the "County") is the largest county in the United States by area containing over 20,100 square miles, and includes large expanses of undeveloped deserts, valleys, canyons and mountains with mountains and deserts comprising about 90 percent of the acreage. The County is a major beneficiary of outward urban pressure from Los Angeles, Orange and Riverside Counties. Although located at the periphery of most urban activity in Southern California, the southwestern portion of San Bernardino County has been a major growth area and is perceived by most observers as an area expected to continue to grow. Riverside and San Bernardino Counties are considered distinct from Los Angeles and Orange Counties and belong to the same Metropolitan Statistical Area ("MSA"). This area, consisting of San Bernardino and Riverside Counties, is commonly referred to as the Inland Empire.

Transportation

The subject property is situated about one mile east of I-15, approximately 1.5 miles north of the 210 Freeway, five miles south of the intersection of I-15 and I-215, and about 6.5 miles north of Interstate 10 ("I-10"). The I-15 and I-10 are the nearest interstates providing access to the subject from the employment areas of Orange, Los Angeles and Riverside Counties. From I-15 there is good access from Duncan Canyon Road, east one mile to Cassava Drive. I-15 travels in a northerly/southerly direction and provides access to Barstow and Nevada to the north and San Diego to the south. I-10 begins from the west in Los Angeles and provides access into Arizona to the east. In the vicinity of the subject, I-210 provides additional east/west access about two miles north of I-10 beginning in Santa Clarita in Los Angeles County and provides access near the City of San Bernardino. The subject is located about four miles north of the historical Route 66, the original Los Angeles to Chicago cross country route.

The County is served by Amtrak and Metrolink as well as several rail-freight lines. The Ontario International Airport provides regional international air service and is located approximately ten miles southwest of the subject property. San Bernardino International Airport is located approximately 12 miles southeast of the subject. In addition, the County has extensive trucking corridors along the previously referred to interstates, highways and state freeways.

Population

The County has experienced population growth for several decades and is anticipated to continue to do so in the foreseeable future. Per the California Department of Finance, the January 1, 2024 (latest available) County population was 2.182 million. This represents a one-year increase of 0.4 percent. This compares to an average annual growth rate over the past 20 years of 2.1 percent. Current projections for San Bernardino County per the California Department of Finance suggest the population is anticipated to reach approximately 2.257 million by 2030, indicating an average annual increase of approximately 0.57 percent over the next six years. The current 0.4 percent growth rate is lower than the previous 20-year annual average of 2.1 percent, likely due to the disruption of the COVID pandemic. The future growth of 0.57 percent annually was predicted assuming a more stable market than was seen prior to the Great Recession.

Economy

The U.S. economy in the past few years has experienced challenging times due to reactions from the COVID disruption. These economic challenges include significant inflation, increasing interest rates, banks' instability and reaching an agreement on the debt ceiling. During COVID, the Federal, State, County and City Governments ("Governments") originally shut down non-essential businesses and areas where social gatherings occur in order to slow the spread of the virus. This created a strain on small and large businesses alike. Restaurants and hotels were hit hard, and travel reduced drastically as citizens were urged to stay home. Layoffs occurred with reports of 40 million people filing for unemployment in the first few months of the pandemic. The Governments

attempted to curtail the job losses and hardships with the approval of over 5.6 trillion in COVID relief to our nation. In addition, the Federal Reserve Board ("Board") reduced interest rates and started quantitative easing by buying bonds. This legislation helped shore up the U.S. economy; however, due to the significant amount of new money introduced into the economy, inflation began occurring at a rate not seen for 40 years. As of July 2024, the national inflation rate was at 2.95 percent; the lowest since the peak in June 2022 of 9.1 percent. This compares to a 1.24 annual percent rate for 2020 and an average of 1.74 percent annual rate for the previous ten years. Whether it is a result of world turmoil, supply chain issues due to COVID or from the additional money entering the economy, inflation hit Americans hard.

In an effort to curb inflation, the Federal Reserve Board ("Board") began raising interest rates. Between March 2022 and August 2023, there were eleven interest rate increases rising the Federal Funds Rate ("FFR") from 0.25 – 0.50 percent to 5.25 – 5.50 percent. The Board has not increased rates since July 2023, due to the decrease in inflation coupled with other mostly positive signs in the economy. While the eleven increases appeared to help slow inflation, the quick, significant increases strained bank balance sheets. Three major banks failed in early 2023 with the government taking unprecedented action to help shore them up. At the most recent Board meeting (July 2024) they continued to pause the increases for the eighth meeting in a row and suggested there will possibly be interest rate cuts later this year. The FFR increases over the past couple years increased a typical 30-year fixed mortgage rate from 2.98 percent as of November 10, 2021, to the high of 7.79 percent as of October 2023; however, the rate has dropped to 6.49 percent as of August 15, 2024 (per Federal Reserve Economic Data-St. Louis). The recent decrease in mortgage rates appears to be due to the anticipation of an FFR decrease in the next few months. This steep increase in mortgage rates over the past two years significantly affected the real estate market.

The COVID disruption to the economy also caused extreme volatility in the stock market with the Dow Jones Industrial Average ("DJIA") dropping from 29,398 in February 2020 to 19,174 in March 2020, a drop of 37 percent. The Government interventions resulted in

a bounce back in the DJIA to 27,111 by June 2020 with the stock market then climbing up to a then peak of 36,799 in January 2022. In February 2022, Russia began invading Ukraine which caused volatility in world economics followed by U.S. inflation, interest rate increases and instability in the U.S. due to the debt ceiling being reached. In addition, Israel declared war on Hamas on October 7, 2023, which added to the strain. All of these factors caused a drop in the DJIA of over ten percent from January 2022 to the low on October 27, 2023 (32,418); however, the Federal Reserve Board's notes from June coupled with generally strong economic news, brought the stock market to a new all-time high of 41,198 (July 17, 2024) with the current average at 40,965 (as of August 21, 2024). It appears the Board's decision not to increase rates further and their suggestion that decreases may occur in the next few months has been well received by investors. Current concerns on the U.S. economy include the upcoming election and the nation's debt limit which can only be increased through government approvals. The current partisanship in our government caused a stand-off in increasing the debt limit which has been in danger of being reached numerous times with several temporary deals being reached, however, no permanent agreements at this time.

The significant increase in mortgage rates over the past two years is just one part of the puzzle affecting the impact of new housing on the broader economy. Additional risks include homebuilders trying to find balanced inventory levels, supply chain issues, both wage and price increases, and persistent inflation. Over the past 25 years, the Inland Empire economy has had significant cycles with home prices almost doubling from 1995 to 2005, then falling by over 50 percent during the Great Recession, taking prices back to 2002 levels. Home values appeared to hit bottom in 2009 then remained essentially flat for two to three years with the majority of the Inland Empire housing market seeing an improvement beginning in mid-2012. Contrary to homebuilder's original thoughts of a slowdown due to the COVID pandemic, new home buyers stepped up in the spring of 2020 and new home sales were significantly higher during the second half of 2020 versus the previous year and continued extremely strong throughout 2021. This exceptional activity in new home sales was the one bright spot in the COVID disruption and is thought to be due to several factors, including: a tight supply of resale homes; historically low

interest rates; millennials finally buying homes; and the work from home factor which began during the pandemic and allowed residents to live in more suburban areas without long commutes. As rates began increasing in early 2022, there was a slowdown in sales within the Inland Empire. The high mortgage rates have significantly slowed existing homeowners from moving. The limited availability of existing homes on the market has resulted in new homes capturing a much larger share of total home sales.

While most jobs have come back, job losses were significant during the COVID recession as the Nation’s unemployment rate went from 3.5 percent in February 2020 to 14.4 percent in April 2020, with the July 2024 National unemployment rate at 4.5 percent (Employment Development Department, not seasonally adjusted). The unemployment rate for the MSA was estimated at 5.8 percent (as of July 2024 per the Employment Development Department). This reflects a decrease from the peak during the Great Recession of 15.1 percent in 2010 and a decrease from the peak during COVID of 14.9 percent. As of July 2024, Riverside County’s unemployment rate was 5.9 and San Bernardino County had a 5.7 percent unemployment rate, both have increased one-half percent month over month. The current unemployment rate for the MSA of 5.8 percent is the same as the California rate at 5.8 percent and higher than the July 2024 National rate of 4.5 percent. Below is a table comparing San Bernardino County’s unemployment rate to the unemployment rates of the surrounding counties as of July 2024.

| Jurisdiction | As of | Unemployment Rate* |
|-----------------------|-----------|--------------------|
| Los Angeles County | July-2024 | 6.5% |
| Riverside County | July-2024 | 5.9% |
| San Bernardino County | July-2024 | 5.7% |
| Orange County | July-2024 | 4.4% |
| San Diego County | July-2024 | 4.9% |

Source: State of California E.D.D.; *Not Seasonally Adjusted

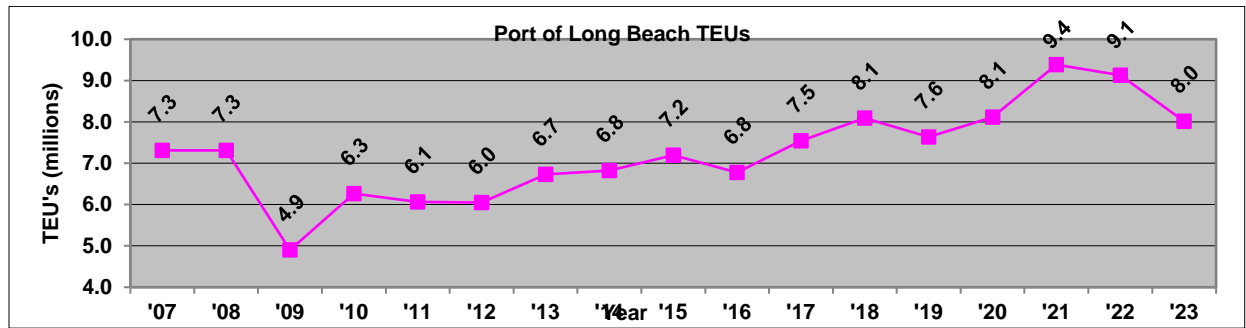
The latest UCLA Anderson Forecast (“Forecast”) was issued June 6, 2024, and stated that the slowing of the economy does not suggest a national recession; however, they are predicting two more quarters of sub-trend growth for summer and fall of 2024. They state the predicted recession has been silenced due to expansionary fiscal policy, new

national industrial policy and robust consumer spending. They believe inflation is slowly finding new equilibrium in the 2.2 to 2.7 percent range (kept higher by residential rents, automobile repair and higher health insurance premiums) and they expect the Federal Reserve to take a neutral stance, while economic growth rebounds to trend rates. The risks to their forecast are stated as a possible government shutdown, geopolitical events and a radically different economic policy after the November elections. Due to these uncertainties, the Forecast predicts weaker business investment in the third and fourth quarters of 2024, corresponding to a wait-and-see approach by some firms until after the November elections.

The UCLA Forecast for California mentions the uncommon conditions in the housing market. While typically higher mortgage rates should lower housing prices, the absence of inventory and pent-up demand by households has resulted in an increase in median home prices. With existing home sales at depression levels, builders should be responding with new developments, however the Forecast believes the wet winter resulted in no significant growth in building permits. This slow start to new home construction has been factored into the forecast with weaker housing in 2024 and a resurgence in 2025. The Forecast also predicts an increase of goods passing through California ports in the coming year after a downturn due to unsettled labor issues at West Coast ports (now settled). The three-year forecast for California is for the state to grow faster than the U.S., however not by much after 2024. The unemployment rate for the second quarter of the year is anticipated to average 5.2 percent with the averages for 2024, 2025 and 2026 expected to be 5.1%, 4.5% and 4.2% respectively. The Forecast believes that in spite of the higher interest rates, the continued demand for a limited housing stock, coupled with state policies inducing new home building, should result in the beginning of a recovery for the housing market in 2024, followed by solid growth in new home production thereafter. The expectation is for 110,000 net new units to be permitted in 2024, growing to 152,000 by the end of 2026. These numbers are down from the March Forecast from 123,000 in 2024, growing to 159,500 by the end of 2026.

One bright spot in the current economy is sales of new homes. While existing homeowners are reluctant to put their houses on the market due to their under-four percent mortgages, new home sales continue. Even with rates in the seven percent range, new homes are still selling. This is partially due to the extremely limited availability of existing homes on the market, coupled with homebuilders offering to buy-down interest rates to help new home buyers. While new homes historically captured 10 – 13 percent of total home sales; over the past year new homes are capturing over 30 percent of total home sales. This rush to new home purchases has put pressure on pricing, even while interest rates have soared. During the Great Recession median housing prices (existing) in San Bernardino County dropped from a high of \$350,288 in March 2006 to a low of \$120,406 in May 2009. Median prices surpassed the pre-recession high in September 2020 and hit a peak in June 2024 at \$522,500 with a slight decline in July to \$515,000. The median home price had been bouncing generally between \$475,000 and \$500,000 over the previous six months (all statistics per the California Association of Realtors). The median home price in San Bernardino County is up 6.2 percent year over year, which will be discussed further in the Inland Empire Housing Market section later within this report.

As a final indicator of overall economic activity for the region, we have reviewed the rise and fall of TEUs (Twenty-foot Equivalent Units – i.e., containers) being processed in the local ports. This is especially important for the Inland communities, as it represents much of the growth in development of west coast distribution centers and warehouses in the Inland Empire linked to supply-chain nodes in the Pacific Rim. The chart on the following page shows TEU activity at the Port of Long Beach. Generally, there had been increases since 2009 with the exception of a slight dip in 2016 and again in 2019 which ended with a 5.6 percent downturn. The 2022 and 2023 calendar years saw decreases of 2.6 and 12.2 percent respectively, year over year. It should be noted that consumer demand cooled in mid-2022 leaving fewer TEUs needed. For the calendar year 2024, thus far TEUs are up over 20 percent year-over-year bringing them back on track.



Government

A Board of Supervisors oversees the County as the governing body of the County, certain County special districts, and the County Housing Authority. The Supervisors enact ordinances and resolutions, adopt the annual budget, approve contracts, and appropriate funds, determine land use zoning for unincorporated areas, and appoint certain County officers and members of various boards and commissions. The Board of Supervisors is elected from five different districts within the County.

Education

The subject area is served by the Fontana Unified School District ("FUSD"). FUSD serves students with five high schools, seven middle schools and 30 elementary schools along with three alternative schools and one adult school. The subject is assigned to Sierra Lakes Elementary School, Ruble Middle School and Summit High School. Community Colleges are available near the subject at Chaffey College in Rancho Cucamonga (seven miles west), at Chaffey College's Fontana campus, (five miles south), and San Bernardino Valley College (10 miles southeast). Higher education is available approximately seven miles east of the subject at California State University San Bernardino, about 15 miles southeast is University of California at Riverside, 15 miles southwest in the private Claremont Colleges (which include Claremont McKenna College, Pitzer College, Harvey Mudd College, Pomona College, and Scripps College) and 22 miles to the southwest at Cal Poly Pomona.

Conclusion

Population in the County has increased over the past 20 years with predictions for continued population growth. The Nation's economy has been slowing after the Board increased the FFR over five percent to fight historical inflation which began during COVID. One bright spot during COVID was housing; the region's relative affordability and low interest rates, coupled with the rising prices in the coastal market and the demand for housing, set up a new housing boom. This was followed by a significant drop in existing home sales due to existing homeowners being unwilling to give up their low-rate mortgages, which turned out to be a boon for new homes. Current concerns for the Inland Empire economy include the uncertainty of the upcoming election, the high prices of homes, higher interest rates, supply chain issues, possible government shutdowns along with the Russian/Ukraine and Israel/Palestine conflicts, which are all creating volatility in both local and global financial markets. In conclusion, the County is expected to continue to grow in population due to its Southern California location, the availability of land, and the relatively lower land and housing prices in comparison to adjacent Orange, Los Angeles, Riverside and San Diego Counties.

History

Fontana was founded in 1913 and is the second largest city in San Bernardino County and the 20th largest city in the State of California. The area was originally a rural farming community with citrus orchards, vineyards and chicken ranches that ran along U.S. Route 66 which is now known as Foothill Boulevard. The historic Route 66, which was built in 1926 to connect Los Angeles to Chicago, is a commercial corridor that runs east/west through the City. During World War II, Henry J. Kaiser opened the Kaiser Steel Mill near Fontana, the only steel mill west of the Mississippi River, which brought industrial employment to the area during the war. To provide for the worker's health needs, Kaiser constructed the Fontana Kaiser Permanente Medical Facility which now employs more than 5,000 people. In 1994 the San Bernardino Freeway, which later became Interstate 10, was completed connecting Los Angeles to San Bernardino and making accessibility to Fontana relatively easy. This led to substantial growth as Fontana became an industrial hub for the County.

In the 1950s and 1960s the area of Fontana was home to a drag racing strip which served as a significant venue in the National Hot Rod Association ("NHRA") circuit. In 1997, Roger Penske built the Fontana Speedway, also known as the Auto Club Speedway, which became a major NASCAR sanctioned tract. In 2006, the Auto Club Speedway opened a new NHRA sanctioned drag strip on site to resurrect Fontana's drag racing heritage. The Auto Club Speedway was purchased by NASCAR in 2019 and hosts at least one major NASCAR race each year. It was recently announced the existing raceway will close due to the redevelopment of the lands; however, a smaller short-track will be developed on a portion of the lands keeping car racing in the area of Fontana.

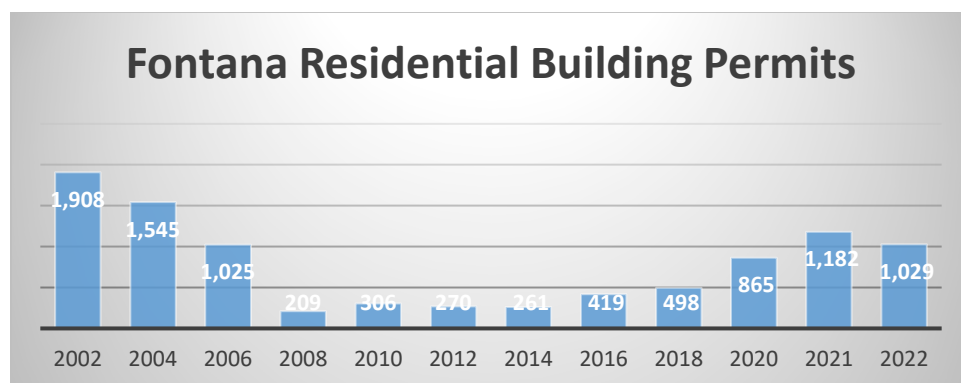
Population

The January 2024 population of Fontana (per the California Department of Finance) was 214,223, which represents an increase of 0.7 percent over the previous year. The 2000 population of Fontana was 128,928, suggesting the population has increased 66 percent over the past 24 years or an average rate of 2.1 percent per year. The City population represents 9.8 percent of the County population. The 0.7 percent growth compares to an

increase of 0.4 percent in the County year-over-year and a growth of 0.2 percent in the State year-over-year. This is the first year that California has shown positive population growth since 2020. The City has several new home communities currently under construction, especially in the northern portion of the City. Per the U.S. Census Bureau, the average household size in Fontana is 3.75 persons while in overall San Bernardino County the average household size is 3.26 persons. Over 78 percent of the population of the City are high school graduates and over 28 percent of the population of the City are under 18 years old.

Housing

According to the Southern California Association of Governments (“SCAG”), the City of Fontana has an estimated 55,632 housing units as of 2021 (latest data available), with a growth rate of 56 percent since the year 2000. This compares to the County’s housing growth rate of 22.2 percent during this time. This further illustrates Fontana’s growth spurt due to land available for development over the past 20 years. Fontana hosts over eight percent of the total number of households in the County. Below is a graph showing residential units permitted in Fontana between 2002 and 2022 (2023 not yet available).



While the current numbers are not at pre-Great Recession numbers, they are the highest in the past 15 years. Per SCAG, 68 percent of the housing stock is owner occupied and 32 percent are renters. Only 22 percent of the housing stock in the City was built before 1970 and 78 percent was built since that time. There are several residential projects currently under construction including the 484-unit community of Narra Hills; Ventana at

Vasari a mixed-use neighborhood proposed for 842 residential units along with retail, office and hotel uses; Highland Park; and the Arboretum Specific Plan which is ongoing and will eventually create 3,500 new homes which includes the subject 526 units. There are additional planned projects according to the City. Per the 2023 annual report, there were 709 new single-family residential permits, and 42 multi-family residential permits issued (unit number not included in the City's data). According to Redfin Market Trends, the July 2024 median home price in overall Fontana was \$650,000 (median of 92 homes) which is 7.9 percent higher than one year prior while the median home price in North Fontana was \$718,000 (median of 52 homes) which was 7.5 percent higher than one year prior.

Current new homes communities selling within Fontana include: Narra Hills with five neighborhoods currently being marketed by Landsea Homes, The Gardens/Arboretum by Lennar with six neighborhoods (subject property) currently selling, Monterado with two neighborhoods by Lennar (nearly sold-out), Aurora Park by Tri Pointe with two neighborhoods (nearing sell-out), Highland Park by Richmond American with two neighborhoods (nearing sellout). Richmond American is opening a new home community within The Arboretum within the next few months (models currently are under construction).

Access

Fontana has good access with I-15 generally forming the northwest border of the City. The 210 Freeway provides east-west access through the upper third of the City; Route 66 (also known as Foothill Boulevard) provides east-west access through the approximate middle of the City and the I-10 provides east-west access through the bottom third of the City. Major on/off ramps to the City from I-15 include Foothill Boulevard, Baseline Avenue, the 210 Freeway, Summit Avenue, Duncan Canyon Road and Sierra Avenue. On/off ramps from the 210 Freeway within the City include Cherry Avenue, Citrus Avenue and Sierra Avenue. Route 66/Foothill Boulevard has stop lights at major intersections while the major on/off ramps from I-10 in the City include Etiwanda Avenue, Cherry Avenue, Citrus Avenue and Sierra Avenue. Access to the subject is via I-15 to

Duncan Canyon Road and east to Cassava Road at the subject. Additional access is via I-210 to Sierra, north to Casa Grande Avenue at the subject.

Economy

Existing commercial property within the City of Fontana is generally along the major thoroughfares including I-10, Route 66/Foothill Boulevard, Sierra Avenue and the 210 Freeway. There are several large shopping centers including Sierra Lakes Marketplace and Falcon Ridge Town Center, both which serve the subject property. There is planned retail at Citrus Avenue and Duncan Canyon Road in the Ventana Specific Plan. The City is home to an Amazon Distribution Center, a Target Distribution Center and a FedEx transfer station. The intersection of the I-10 and I-15 is a major industrial hub which extends into the City of Fontana with generally industrial use south of I-10. The Fontana Speedway is located along Cherry Avenue north of I-10 and the Metrolink station is located along Sierra Avenue.

Summary

Fontana is located at the base of the San Gabriel Mountains and was incorporated over 100 years ago as a rural farming community. Kaiser Steel brought jobs to the area during World War II and the opening of the I-10 Freeway in the 1950s made it an easy commute to Los Angeles and Orange Counties. Almost 80 percent of the housing stock within the City was built since 1970. Between April 2020 and March 2022 residential building permits grew significantly after a lull in the first 10 years since the Great Recession. In 2022 permits slowed as sales decreased due to increasing rates. The area has excellent access via I-15. The area's central location, reasonable land prices and the availability of land for development combine to make the location a prime area for future growth.

THE ARBORETUM SPECIFIC PLAN / IMMEDIATE SURROUNDINGS

The Arboretum Specific Plan was approved in October 2009 and amended in June 2021. The Specific Plan covers 525.7 gross acres allowing for 3,532 residential units. The entire Specific Plan is shown on the land use map below with the subject property and surrounding streets and the social club, consisting of about 75 gross acres, outlined in yellow. The site has convenient freeway access to the I-15 via Duncan Canyon Road with both on and offramps to I-15.



The Arboretum is divided into four distinct villages which include The Meadows, The Gardens, The Resort and the Arboretum. The Meadows is developed and sold out except

for a 24-acre school site at the southwest corner of the planning area. The Gardens Phase One is outlined in yellow above and includes the subject property with Phase Two beginning development with one tract under construction by Richmond American and mass grading and underground utilities underway on the remainder of Phase Two. The Resort is located north of the Gardens and has not yet begun development and The Arboretum which will contain a 10.7-acre park that will provide the heart of the overall Arboretum community has not yet begun development. Per the Specific Plan, The Gardens has an overall average gross density of 7.8 dwelling units per acre. The subject Phase One of the Gardens encompasses 69.9 acres and houses 526 dwelling units which equates to an overall density of 7.52 dwelling units per acre.

The entire Arboretum project is surrounded by Grapeland Street to the north, Sierra Avenue to the east, Casa Grande Avenue to the south, Citrus Avenue to the west and a high wire Edison easement to the northwest. North of Grapeland Street are vacant lands, the I-15 and Lytle Creek beyond which is the community known as Devore. West of Citrus Avenue are vacant lands and existing residential uses. South of Casa Grande Avenue are existing residences while east of Sierra Avenue are existing residences north of Duncan Canyon Road and large industrial buildings south of Duncan Canyon Road.



Above is a site plan for the entire Gardens quadrant with the subject neighborhoods identified. The subject is generally the east side and is surrounded by Duncan Canyon Road to the north beyond which is vacant land entitled for The Resort at The Arboretum; Sierra Avenue to the east beyond which is vacant lands and a large industrial building. South of Blue Sage is an existing condominium project that was part of another Specific Plan known as Gabion Ranch which was developed in the early 2020s. South of Dayflower and Acacia is Casa Grande Avenue beyond which is existing residential use (Gabion Ranch). West of Dayflower is the existing condominium project and Cassava Drive beyond which is Blue Sage beyond which is a portion of Phase Two of the Gardens which has been purchased by Richmond American Homes and begun construction. North of Blue Sage are undeveloped lands which are also included in Phase Two of The Gardens. The subject site surrounds The Gardens Clubhouse and meeting area which includes basketball courts, pickleball courts, a dog park, a playground, a pool and clubhouse and a large grassy area along with several picnicking areas, one with a large shade cover. The Gardens Clubhouse will serve all of the residents within The Gardens.

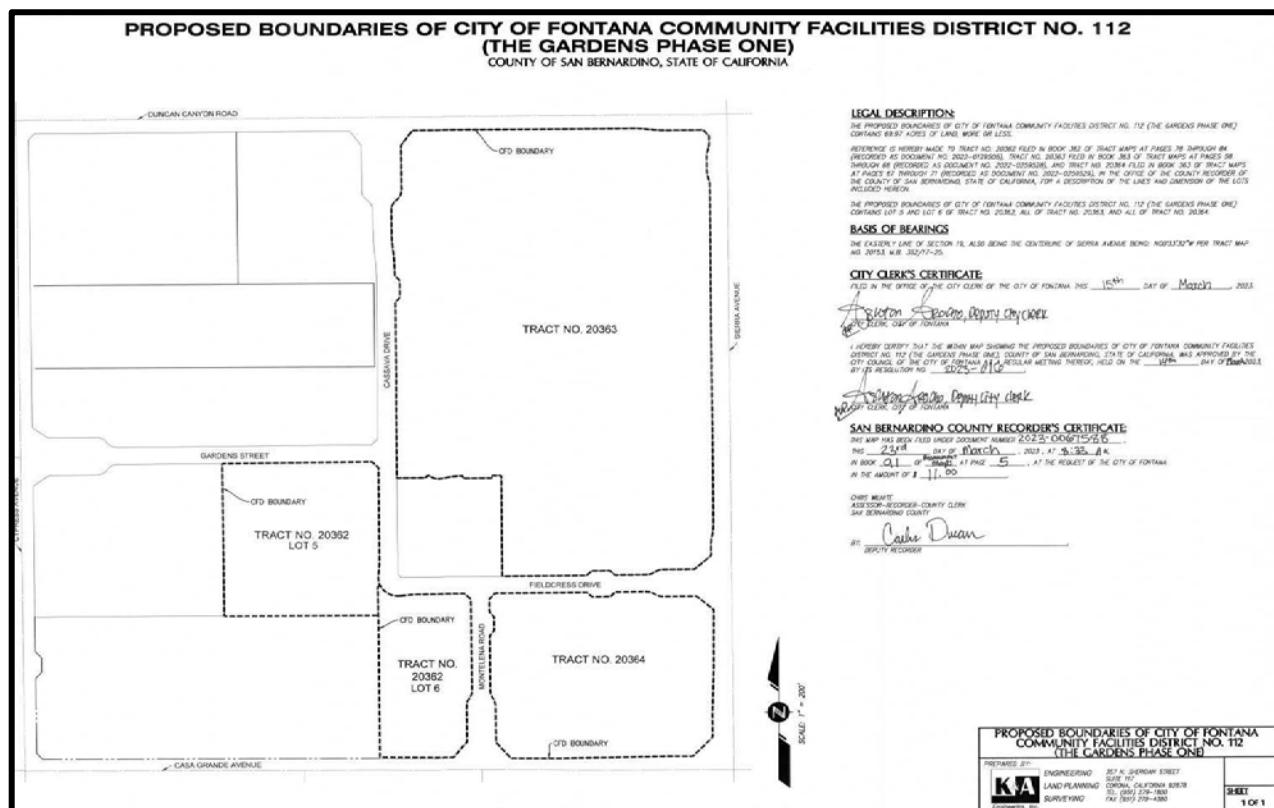
Within a mile west of the subject on the north side of Duncan Canyon Road is the new luxury apartment complex which recently opened known as Vasari at Ventana and Monterado by Lennar. Ventana will eventually include residential, retail and commercial land uses. Monterado is a gated community with cluster and alley-loaded homes which is nearing sell-out. Across I-15 the master planned community of Narra Hills is currently selling with five communities ranging from duplex homes to single-family detached on 10,000 square foot minimum lots.

Schools that serve The Gardens include Summit High School (about two miles southwest), Ruble Middle School (about two miles south), and, Sierra Lake Elementary (about one mile southwest).

FONTANA CFD NO. 112 (THE GARDENS PHASE ONE)

We have reviewed the City of Fontana CFD Report for Community Facilities District No. 112 (The Gardens Phase One) dated May 29, 2023, as prepared by David Taussig & Associates, Inc. The CFD Report provides a brief description of Fontana CFD No. 112, a brief description of the facilities to be funded along with an estimate, a description of the boundaries and an estimate of the cost of financing the bonds used to pay for the facilities. The City Council of the City of Fontana adopted a resolution of intention for Fontana CFD No. 112 (The Gardens Phase One) on March 14, 2023.

The exterior boundaries of Fontana CFD No. 112 per the Proposed Boundary map are shown below.



Per the CFD Report, at time of formation, Fontana CFD No. 112 encompassed approximately 69.9 gross acres of which 48.2 are estimated to be taxable. There are 526 proposed single-family homes at time of report which is the same as the current mapping. At time of report they were comprised of 358 single-family detached units ranging in size

from 1,905 to 3,381 square feet, 99 detached condominium units ranging in size from 1,651 to 1,970 square feet and 69 triplex units ranging in size from 1,448 to 1,649 square feet.

Per the CFD Report, the types of facilities to be eligible for funding are streets, including grading, paving, curbs and gutters, sidewalks, street signalization and signage, streetlights and parkway and landscaping related thereto, sewers, storm drains, flood control facilities, fire protection facilities, police facilities, public facilities, landscaping, library facilities, park and recreational facilities, water distribution, treatment and storage facilities and land, rights-of-way, and easements necessary for any of such facilities. The types of public facilities proposed to be eligible to be purchased as completed facilities by CFD No. 112 are streets, including grading, paving, curbs and gutters, sidewalks, street signalization and signage, streetlights and parkway and landscaping related thereto, sewers, storm drains, fire protection facilities, police facilities, public facilities, landscaping, library facilities, park and recreational facilities, flood control facilities, water distribution, treatment and storage facilities and land, rights of way and easements necessary for any such facilities. The types of public services to be financed by CFD No. 112 are fire protection and suppression services, maintenance and lighting of parks, parkways, streets, roads and open space, flood and storm protection services and maintenance and operation of any real property or other tangible property with an estimated useful life of five or more years that is owned by the City. Incidental expenses also included are the cost of planning and designing public facilities to be financed, including the cost of environmental evaluations of those facilities; the costs associated with the creation of CFD No. 112, issuance of bonds, determination of the amount of taxes, collection of taxes, payment of taxes, or costs otherwise incurred in order to carry out the authorized purposes of CFD No. 112; and, any other expenses incidental to the construction, completion, and inspection of the authorized work.

The estimated cost of public facilities at the time the Fontana CFD No. 112 Report was created were estimated as:

| PUBLIC FACILITIES | AMOUNT |
|--|---------------------------|
| Acquisition Facilities: | \$26,622,163(1) |
| Storm Drain Improvements | \$7,556,747 |
| Landscape Improvements | \$7,238,483 |
| Street Improvements | \$7,213,962 |
| Traffic Signal Improvements | \$1,894,465 |
| Sewer Improvements | \$1,445,003 |
| Water System Improvements | \$1,028,040 |
| Right-of-Way Acquisition | \$245,461 |
| Other Public Facilities: | \$9,116,671(2) |
| Water System Capacity Improvements | \$7,127,773 |
| Circulation Facility Improvements | \$1,060,398 |
| Police Facility Improvements | \$248,272 |
| Public Facility Improvements | \$219,508 |
| Fire Facility Improvements | \$86,264 |
| Library Facility Improvements | \$52,074 |
| Additional Circulation Facility Improvements (3) | <u>\$322,382</u> |
| Advance and Reimbursement Agreement Fee | <u>\$1,000,000</u> |
| TOTAL ESTIMATED COSTS | \$36,738,834 |

(1) Estimates provided by Project Developer and subject to review and confirmation.

(2) Estimated amount of permit fees subject to review and confirmation.

(3) Represents additional circulation facilities per Second Amendment to Development Agreement.

The assigned Special Taxes per the CFD Report range from \$3,947 to \$5,626 for the detached, mapped lots and from \$2,583 to \$3,845 for the condominium lots and triplexes. In addition, CFD 112 is expected to finance the annual costs to provide fire protection and suppression services, maintenance and lighting of parks, parkways, streets, roads and open space, flood and storm protection services and maintenance and operation of any real property or other tangible property with an estimated useful life of five or more years that is owned by the City. The Services Special Tax within CFD 112 has been established to pay for these public services at approximately \$576 per single family detached residence, \$550 per detached condominium unit and \$550 per detached trio-plex unit per year. These amounts are subject to change based on the actual need that arises as development progresses within CFD No. 112 and shall be subject to an annual increase as specified in the Rate and Method of Apportionment. The maximum bonded indebtedness for CFD No. 112 is \$36,000,000. Per the latest sources and uses of funds (dated August 28, 2024) for the proposed bond issuance, there will be an estimated \$30,760,000 in Bond Par Amount and a Premium of \$1,240,860 for a total bond fund deposit of \$32,000,860 with \$29,372,380 going to the Project Fund, \$1,995,000 in Debt Service Reserve Fund and \$633,480? in Underwriter's Discount and Cost of Issuance (all amounts subject to change). A larger copy of the Fontana CFD No. 112 boundary map is located in the Addenda for your review.

SUBJECT PROPERTY DESCRIPTION

The subject property consists of 526 proposed units being developed as The Gardens Phase One with six neighborhoods. The neighborhoods include Dayflower, a triplex/small lot detached product; Blue Sage, a detached condominium project; Acacia a detached product on 2,700 square foot minimum lots, Silverberry, a detached product on 4,000 square foot minimum lots, Wildrose, a detached product on 4,700 square foot minimum lots and Azalea, a detached product on 6,000 square foot minimum lots. The subject site is shown on the below site plan outlined in black with The Gardens Clubhouse (outlined in red) not included. The lands within Fontana CFD 112 are described as follows:



Location: South of Duncan Canyon Road along both sides of Cassava Road, Fontana, California

Legal Property Description: Lot 6 of Tract 20362 – 69 Units (Dayflower), Lot 5 of Tract 20362 – Units 1-99 (Blue Sage), Lots 1-109 of Tract 20364 (Acacia), Lots 58-71, 77-78, 123-190 and 194-206 of Tract 20363 (Silverberry) Lots 18-57, 75-76, 191-193 and 207-249 of Tract 20363 (Wildrose) and lots 1-17, 72-74 and 79-122 of Tract 20363 (Azalea), all located in the City of Fontana, County of San Bernardino, State of California

Property Owner: Dayflower:
Individual Owners as to Units 1041, 1043, 1051, 1091, 1101-1103, 1111-1113, 1121-1123, 1131-1133, 1141-1143, 1151-1153, 1161-1163, 1171-1173, 1181, 1191-1193, 1201-1203, 1211-1213, 1221-1223, 1231-1233, 1241-1243 and 1251-1253 of Lot 6 of Tract 20362. Lennar Homes of California LLC, a California limited liability company as to Units 1011-1013, 1021-1023, 1031-1033, 1042, 1052-1053, 1061-1063, 1071-1073 and 1081 of Lot 6 of Tract 20362.

Blue Sage:
Individual Owners as to Units 1-34, 41-56, 63-70 and 91-99 of Lot 5 of Tract 20362. Lennar Homes of California LLC, a California limited liability company as to Units 35-40, 71-81 and 84-90 of Lot 5 of Tract 20362, and AG EHC II (LEN) CA 2 L.P., a Delaware limited partnership as to Units 57-62 and 82-83 of Lot 5 of Tract 20632.

Acacia:
Individual Owners as to Lots 1-35, 59-64, 78-81, 95-109 of Tract 20364. Lennar Homes of California LLC, a California limited liability company as to Lots 36-37, 45-49, 65-77, 82-94 of Tract 20364, and AG EHC II (LEN) CA 2 L.P., a Delaware limited partnership as to Lots 38-44 and 50-58 of Tract 20364.

Silverberry:
Individual Owners as to Lots 58-71, 123-178 and 205 of Tract 20363. Lennar Homes of California LLC, a California limited liability company as to Lots 77-78, 179-186, 196-204 and 206 of Tract 20363, and AG EHC II (LEN) CA 2 L.P., a Delaware limited partnership as to Lots 187-190 and 194-195 of Tract 20363.

Wildrose:
Individual Owners as to Lots 29-31, 35-57, 207-221 and 225-249 of Tract 20363. Lennar Homes of California LLC, a California limited liability company as to Lots 18-28, 32-34, 75-76, 191-193 and 222-224 of Tract 20363.

Azalea:

Individual Owners as to Lots 2-17, 81-82 and 88-100 and 102-122 of Tract 20363. Lennar Homes of California LLC, a California limited liability company as to Lots 1, 72-74, 79-80, 83-87 and 101 of Tract 20363.

Assessors
Parcel Nos.:

Dayflower: 1118-463-01 thru 09; 1118-463-11 thru 20; 1118-463-24 thru 33; 1118-463-35 thru 40; 1118-463-43 thru 48; 1118-463-50 thru 59; 1118-463-62 thru 67; 1118-463-70 thru 75; 1118-463-77 thru 82.

Blue Sage: 1118-442-01 thru 09; 1118-442-19 thru 27; 1118-442-29 thru 36; 1118-442-39 thru 47; 1118-442-49 thru 56; 1118-442-58 thru 65; 1118-444-01 thru 05; 1118-444-07 thru 14; 1118-444-16 thru 23; 1118-444-25 thru 32; 1118-444-35 thru 41; 1118-444-43 thru 48; 1118-444-51 thru 56.

Acacia: 1118-461-04 thru 52; 1118-462-01 thru 60.

Silverberry: 1118-413-04 thru 16; 1118-432-01 thru 13; 1118-434-01 thru 34; 1118-435-01 thru 34; 1118-451-01 and 1118-451-17 thru 18.

Wildrose: 1118-412-01 thru 35; 1118-413-01 thru 03 and 20 thru 34; 1118-414-01 thru 14 and 17 thru 30; 1118-431-09 thru 13; 1118-451-15 thru 16.

Azalea: 1118-431-01 thru 08; 1118-433-01 thru 28; 1118-451-02 thru 10; 1118-451-12 thru 14 and 1118-451-19 thru 34.

Property Taxes:

We have not been able to review property taxes on any of the above assessor parcel numbers. Our review of the Assessor's Office does not yet show any taxes on the subdivided parcels. It is an assumption of this report that the overall property taxes and special assessments are not over two percent.

Three-Year
Sales History:

Per Lewis Company representatives, a related entity to North Fontana Investment Company LLC (the seller), Lennar (or a related entity) purchased the subject property in December of 2021 for \$91,935,447. AG EHC II (LEN) CA 2 L.P. (a land bank company for Lennar) took title to the property and Lennar began taking down lots as needed for construction. It is the appraiser's understanding that there is a construction agreement that lets Lennar begin construction prior to the lots being taken down. They have completed take-downs of 496 lots as of August 25, 2024. The next scheduled take-down for 22 lots is anticipated for October 14, 2024, with the final eight lots anticipated to be transferred December 14, 2024 (all dates subject

to change). Lennar began closing homes within the subject property to individual owners in July 31, 2023, and has closed 366 houses between July 31, 2023, and August 25, 2024.

Size and Shape: The subject site is irregular in shape and contains 69.919 gross and 53.647 net acres per Tract Maps 20362, 20363 and 20364 which subdivides the entire site into 358 single family detached lots and two large lots that were further subdivided into 168 condominium lots/pads. More specifically, Dayflower contains 5.043 acres and is known as Lot 6 of Tract 20362. Blue Sage contains 8.137 acres and is known as Lot 5 of Tract 20362. Acacia contains 12.24 gross acres and 6.126 net acres (difference due to internal streets, open space and setback areas) and is known as Tract Map 20364. Silverberry, Wildrose and Azalea together make up Tract Map 20363 which contains 44.499 gross acres and 30.780 net acres (again difference due to internal streets, open space and setback areas).

Zoning: We have reviewed a letter from the Planning Division of Fontana dated July 14, 2021, which states MCN 20-096 Specific Plan Amendment (SPA 20-005) which allows for a density transfer within The Gardens and introduction of two new housing products, Tentative Parcel Map 20362 and Tentative Tract Maps 20363 and 20364 which are comprised of five parcels that will be subdivided to create lots for the development of residential units have all been approved, subject to the conditions of approval. Attached to the letter were the conditions of approval for the project.

Per the current City of Fontana General Plan and the current City of Fontana Zoning Map, the subject is shown as located within The Arboretum Specific Plan. Per the Arboretum Specific Plan adopted October 14, 2009 and amended June 2021, Tract Maps 20363 and 20364 are identified RMF (Residential - Multi-Family with 3-8 dwelling units per acre) while lots 5 and 6 of Parcel Map 20362 are RMF (Residential – Multi-Family with 8.1-16.1 dwelling units an acre. The current City of Fontana Zoning Map is consistent with the General Plan.

Entitlements: Per the Arboretum Specific Plan, the subject is shown as Planning Areas G5 thru G10 which has entitlements for 526 units. Tract Maps 20363 and 20364 contain 56.739 acres and allow for 358 units (within Acacia, Silverberry, Wildrose and Azalea) suggesting a density of 6.31 dwelling units per acre. Lots 5 and 6 of Tract Map 20362 contain 13.18 acres and allow for 168 units suggesting 12.75 dwelling units per acre. All densities are within the allowed densities per the Zoning and General Plan and the total units of 526 is allowed per the Specific Plan. A copy of the three maps along with the site

Homeowner's
Association:

plans are located in the Addenda for your review.

Per Lewis Management Corporation, the master developer of The Arboretum, the Master HOA dues which apply to all units is \$155 per month. In addition, there are additional assessments of \$285 per month for Dayflower (attached/detached Triplex format) which includes outside walls, roofs, internal streets and landscaping, \$49 per month for Blue Sage (detached condominiums) which includes common driveways and landscaping and \$58 per month for Acacia (2,700 square foot lots) for common area, landscaping and internal streets. The overall HOA covers maintenance of the community gates, swimming pool, spa, barbeques, clubhouse and restrooms, community parks, as well as all walkways and community landscaping. The pool, spa, clubhouse and park areas were in excellent condition and were open for use.

Topography:

The subject lands are generally level at grade of surrounding streets of Cavassa Drive, Casa Grande Avenue, Sierra Avenue and Duncan Canyon Road, all which are improved at the site. In addition, the site has been graded into 526 residential lots and/or pads. The subject has been fully mass graded and developed into two condominium lots along with 358 single family lots. The condominium lots have been graded into 99 detached condominium lots and 66 triplex pads along with three detached lots within Dayflower. Drainage appears to be within an engineered street drainage system that ties with surrounding lands to alleviate any drainage issues on the property. This is suggested by the City approvals for the construction of the homes.

Fire Hazard Zone:

Per the City's General Plan and Zoning Map, the site is within a fire overlay zone. Per the State of California's Fire Hazard Map, the site is within a LRA (Local Responsibility Area) with the recommendation for the site to be in a very high fire severity zone. A copy of the CalFire Fire Hazard Zone map is located in the Addenda. It is an extraordinary assumption of this report that all Fire Safety Conditions which are required by code have been incorporated into both the construction of the homes and the development of the lands and that the homebuyers are able to obtain fire insurance.

Soils Condition:

We have reviewed a "Geotechnical Investigation" for the entire Arboretum project (includes the subject property) prepared by RMA Geotechnical Consultants of Rancho Cucamonga dated July 15, 2015, along with a Geotechnical Investigation Update, also prepared by RMA and dated February 22, 2024. The reports conclude that the proposed development of 3,500+ units on the entire 447 acres is geologically and geotechnically feasible provided that the

recommendations presented within the report are fully implemented during design, grading and construction. The Update dated 2024 brought the recommendations up to current building codes.

It is an assumption of this appraisal that the soils are adequate to support the highest and best use conclusion and that all recommendations made within any and all reports were adhered to during construction. The appraiser is not a soils expert, and it is recommended that any concerns relating to soils should be addressed to the appropriate experts.

**Seismic
Information:**

Within the above referenced Geotechnical Report, it states the site is not located within the boundaries of an Earthquake Fault Zone. The nearest faults are located 1,600 feet to the northwest along the Cucamonga fault zone and about 800 feet northeast along the San Jacinto fault zone. There is a discussion in the report about a possible concealed fault, however after further research, it was concluded in the report that it appears unlikely that there was past surficial faulting. The appraiser is not an earthquake expert, and it is recommended that any concerns relating to earthquake faults should be addressed to the appropriate experts.

**Environmental
Concerns:**

We have not received an environmental report to review. We have reviewed the Planning Division approvals. It is an assumption of this report that there are no environmental issues which would slow or thwart development of the subject property and that all proposed mitigation efforts were completed. This is evidenced by construction of homes on the site and City inspectors on site during construction.

Flood Information:

Per FEMA Map No. 06071C7915H dated August 28, 2008, the property is shown as being in Zone X which states areas determined to be outside of the 0.2 percent annual chance floodplain.

**Easements and
Encumbrances:**

We have reviewed three Preliminary Title Reports prepared by Lennar Title which cover the three recorded tract maps that encompass the subject property. They are Report Order Number 192002-001424, dated July 2, 2024, covering Tract 20362 (Lots 5 and 6 – Dayflower and Blue Sage and additional lands); Report Order Number 192002-001425, dated July 2, 2024, covering Tract 20363 (Silverberry, Wildrose and Azalea); and Report Order Number 192-002-001426 covering Tract 20364 (Acacia). While the exceptions appear typical for subject-type lands, it is an assumption of this appraisal report that the subject lands are free and clear of any liens and/or encumbrances other than CFD No. 112. The appraiser is not a title expert, and it is recommended that any

concerns relating to title should be addressed to the appropriate experts.

Utilities: All normal utilities are available to serve the subject site by the following companies:

| | |
|--------------|------------------------------------|
| Electrical: | Southern California Edison Company |
| Natural Gas: | SoCal Gas |
| Sewer: | City of Fontana |
| Water: | West Valley Water District |
| Schools: | Fontana Unified School District |

Streets/Access: Access to the subject property is convenient via I-15 to Duncan Canyon Road, east about one mile to Cassava Drive. The gated entrances are on both the north and south side of the Arboretum at Cassava Drive from the north and at Montelena Road from the South. There is also a gated entrance off Sierra Avenue at Fieldcress Drive into the subject property. There will also be a gated entrance into The Gardens within Phase Two, off Cypress Avenue at Gardens Street. Additional access is via I-15 from Sierra Avenue and south about one mile or from I-210 exit Sierra Avenue and north about 1.5 miles.

I-15 is a major north/south freeway, which provides access to both international borders with Mexico and Canada.

Duncan Canyon Road is an east/west access road with on/off ramps to I-15. To the east Duncan Canyon currently terminates at Sierra Avenue, about 1.5 miles east of I-15, providing access to North Fontana. To the west Duncan Canyon Road is the main entrance into Hunter's Ridge, a master plan southwest of the subject.

Sierra Avenue is the eastern boundary of the subject property. Sierra Avenue is a major north/south arterial through Fontana. Sierra Avenue has on/off ramps from the I-15, the I-210 and the I-10 (about six miles south of the subject. North of the subject Sierra Avenue becomes Lytle Creek Road past I-15 and to the south, it provides access throughout the City of Fontana and into Jurupa Valley. Sierra Avenue is a commercial corridor through most of Fontana.

Cassava Drive is a main entrance providing access into The Gardens off of Duncan Canyon Road.

Casa Grande Avenue is an east/west access street and the southern border of the subject site. Casa Grande Avenue begins 1.5 miles east of the subject at Locust Avenue and provides the southern

border of The Gardens past Citrus Avenue where it bends south and becomes Knox Avenue.

Internal streets include Boston Ivy, Yarrow Lane, Mistletoe Lane, Camphor Street, Fern Pine Street, Island Oak Street, Baylaurel Drive, Tulip Tree Street, Broadleaf Way, Tea Tree Lane and Hazelnut Lane within Tract No. 20363 (Silverberry, Wildrose and Azalea), Plantain Way, Kumquat Lane, Tangerine Way, Grapefruit Lane, Lychee Lane and Hazelnut Lane within Tract No. 20364 (Acacia), Crocus Lane, Rose Petal Way, Wildflower Lane, Aster Way and Snowdrop Lane for Lot 6 of Tract 20362 (Dayflower), and Shallot Street, Oregano Way, Marjoram Way, Endive Lane, Quince Lane, Poppy Seed Lane and Anise Way within Lot 5 of Tract 20362 (Blue Sage).

Current Condition: The subject is being developed into 69 triplex homes and small-lot homes (Dayflower), 99 single-family detached condominium homes (Blue Sage), 109 single-family detached lots with a minimum lot size of 2,700 square feet (Acacia), 97 single family detached lots with a minimum size of 4,000 square feet (Silverberry), 88 single family detached lots with a minimum lot size of 4,700 square feet (Wildrose) and 64 single family detached lots with a minimum lot size of 6,000 square feet (Azalea). The lots are all in a physically finished condition. All internal streets are in place (with the exception of some triplex alleys and driveways. Upon our inspection, 421 of the 526 proposed homes were over 95 percent complete including 366 individually owned homes, 14 model homes, 41 production homes (39 in escrow), 83 homes under construction (42 in escrow) and 22 remaining finished pads/lots.

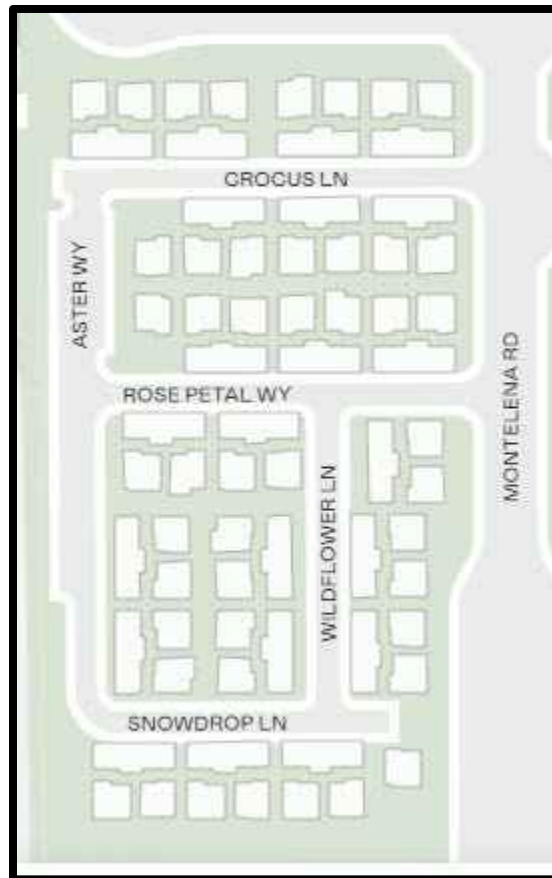
Costs to Complete: The subject property has been developed into 526 finished lots/pads with internal streets generally complete and utilities stubbed to each lot/pad. Per Lennar representatives, the remaining hard costs include \$4,494,382 in remaining land development costs (includes grading, consultants, streets, sewer/water, parks/landscaping/common area, walls and dry utilities). In addition, there is \$1,533,075 in remaining fees which are not included in the CFD (this appraisal assumes the bonds are in place). Adding the remaining hard costs and the remaining fees results in total remaining costs of \$6,027,457. It is our understanding that these costs are the builder's responsibility and will be spread between the builder and investor-owned lots as the individual owners are not responsible. Out of the total 526 lots/pads, 366 are individually owned leaving 160 lots, pads, homes under construction or completed homes owned by the builder and/or investor. Dividing the

Improvement
Description:

\$6,027,457 by the 160 homes/lots/pads results in remaining land development costs of \$37,671.60 per lot/pad.

Below is a site plan followed by a brief description for each of the neighborhoods.

Dayflower:



Dayflower is made up of 69 proposed triplex homes with three of the homes actually detached. The three plans range in size from 1,563 to 1,669 square feet. Plan 1 has 1,582 square feet and is a stacked unit up over three, two-car garages ("carriage house"). Thus, Plan 1 has an attached 2-car garage while Plans 2 and 3 have detached 2-car garages with a small courtyard between the house and the garage. The floorplans each have three to four bedrooms. The plans are offered with Spanish, American Farmhouse and Santa Barbara influenced architecture detailing. Exteriors include designer coach lights and block rear fencing with vinyl side yard fencing (per homesite). Interiors include Shaw vinyl flooring and Shaw carpeting along with upgraded baseboards, casings and 2-panel interior doors, bull-nose corners, fully dry-walled garages and cable outlets (per plan). The kitchens include GE stainless steel appliances (slide-in oven/stove) and granite countertops with thermofoil flat panel

cabinetry and a pull-out receptacle with recycle bins along with a kitchen island. The owner's suite includes a tub/shower combo, elongated toilets and a separate water closet along with a walk-in closet. Connectivity includes a Legrand On-Q 30" RF transparent structured media enclosure and a Honeywell smart thermostat. Energy efficiency includes a tankless water heater dual-glazed windows, insulated roll-up garage doors, LED lighting throughout and Boral cool roof tiles. There is also an integrated solar energy system provided through participation in the buyer-friendly new home energy plan by Sunnova.

The models are located on Crocus Lane at Aster Way. There are three model homes, one for each plan. Fifty of the homes have closed escrow to homebuyers and there are three models and three homes over 95 percent complete (all three in escrow). There are 13 homes under construction with 12 of those in escrow. The project opened for sale April 22, 2023, with base pricing \$479,900 to \$513,900 while current base pricing is \$508,900 to \$556,900. The homes began closing November 14, 2023, with actual closed net sales prices (as reported by the builder) ranging from \$414,530 to \$526,577. These reported prices include all premiums, options and incentives. Our search of the MLS revealed no resales and no current resale listings. Our physical search noted all homes appear to be in excellent condition. It should be noted that the seller is offering varying concessions, including some interest rate buydowns, on a case-by-case basis. The total incentives including closing cost/rate buy downs have ranged from \$8,718 to \$66,528. The houses which are over 95 percent complete are shown in the table following the descriptions.

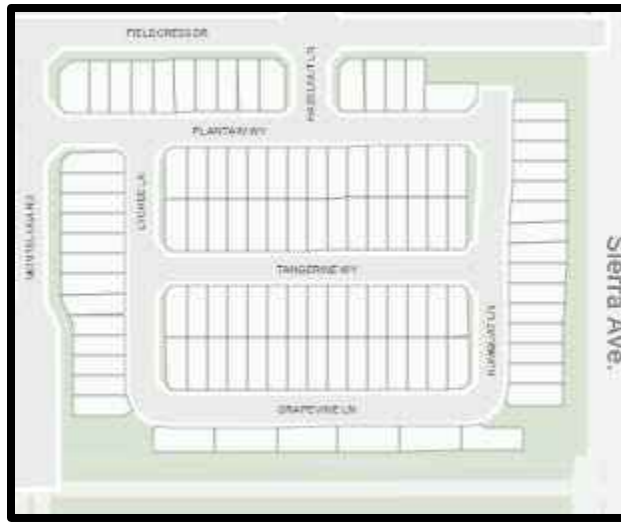
Blue Sage



Blue Sage is proposed for 99 single-family detached homes on condominium lots, some in an alley-load format. The plans range in size from 1,651 to 1,970 square feet. The four floorplans all are two stories with three to four bedrooms and two-car attached garages. The plans are offered with Santa Barbara, Farmhouse and Provence influenced architecture detailing. Exteriors include designer coach lights and block rear fencing with vinyl side yard fencing (per homesite). Interiors include ceramic tile entry, Shaw vinyl flooring and Shaw carpeting along with upgraded baseboards, casings and 2-panel interior doors, bull-nose corners, fully dry-walled garages and cable outlets (per plan). The kitchens include GE stainless steel appliances and granite countertops with thermofoil flat panel cabinetry and a pull-out receptacle with recycle bins along with a kitchen island. The owner's suite includes a separate tub and shower, elongated toilets and a separate water closet along with a walk-in closet. Connectivity includes a Legrand On-Q 30" RF transparent structured media enclosure and a Honeywell smart thermostat. Energy efficiency includes a tankless water heater dual-glazed windows, insulated roll-up garage doors, LED lighting throughout and Boral cool roof tiles. There is also an integrated solar energy system provided through participation in the buyer-friendly new home energy plan by Sunnova.

The models are located on Shallot Street and Oregano Way. There are three models, with Plan One not modeled. Sixty-seven of the homes have closed escrow to homebuyers. There are three models and no production homes over 95 percent complete along with 21 homes under construction (11 in escrow) and eight remaining finished pads. The project opened for sale March 11, 2023, with base pricing \$566,990 to \$600,990 while current base pricing is \$589,290 to \$641,990. The homes began closing August 14, 2023, with actual closed net sales prices (as reported by the builder) ranging from \$495,372 to \$640,990. These reported prices include all premiums, options and incentives. Our search of the MLS revealed no resales and no current resale listings. Our physical search noted all homes appear to be in excellent condition. It should be noted that the seller is offering varying concessions including some rate buy downs, on a case-by-case basis. The total incentives including closing cost/rate buy downs have ranged from zero to \$89,318. The houses which are over 95 percent complete are shown in the table following the descriptions.

Acacia

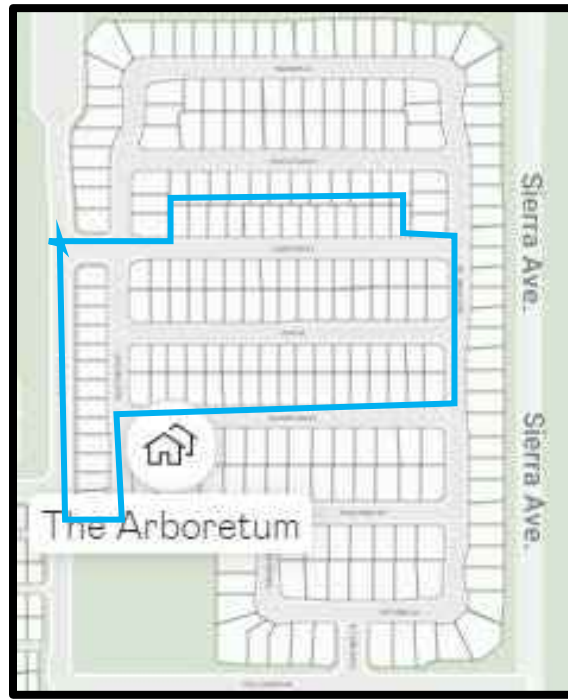


Acacia is proposed for 109 single-family detached homes on lots with a minimum lot size of 2,700 square feet. The plans range in size from 2,213 to 2,472 square feet. The three floorplans all are two stories with three to four bedrooms and two-car attached garages. The plans are offered with Italianate, American Traditional and California Craftsman influenced architecture detailing. Exteriors include designer coach lights and block rear fencing with vinyl side yard fencing (per homesite). Interiors include ceramic tile entry, Shaw vinyl flooring and Shaw carpeting along with upgraded baseboards, casings and 2-panel interior doors, bull-nose corners, fully dry-walled garages and cable outlets (per plan). The kitchens include GE stainless steel appliances and granite countertops with thermofoil flat panel cabinetry and a pull-out receptacle with recycle bins along with a kitchen island. The owner's suite includes a separate tub and shower, elongated toilets and a separate water closet along with a walk-in closet. Connectivity includes a Legrand On-Q 30" RF transparent structured media enclosure and a Honeywell smart thermostat. Energy efficiency includes a tankless water heater dual-glazed windows, insulated roll-up garage doors, LED lighting throughout and Boral cool roof tiles. There is also an integrated solar energy system provided through participation in the buyer-friendly new home energy plan by Sunnova.

The models are located on Hazel Nut Lane and Plantain Way. There are two models, with Plan One not modeled. Sixty of the homes have closed escrow to homebuyers. There are eight production homes over 95 percent complete (all in escrow), two model homes and an additional 27 homes under construction (10 in escrow). The project opened for sale March 11, 2023 with base pricing \$632,990 to

\$655,990 while current base pricing is \$648,060 to \$701,290. The homes began closing August 14, 2023, with actual closed net sales prices (as reported by the builder) ranging from \$558,421 to \$687,165. These reported prices include all premiums, options and incentives. Our search of the MLS revealed no resales and no current resale listings. Our physical search noted all homes appear to be in excellent condition. It should be noted that the seller is offering varying concessions including some rate buy downs, on a case-by-case basis. The total incentives including closing cost/rate buy downs have ranged from \$10,967 to \$90,882. The houses which are over 95 percent complete are shown below in the table following the descriptions.

Silverberry (Outlined in Blue)

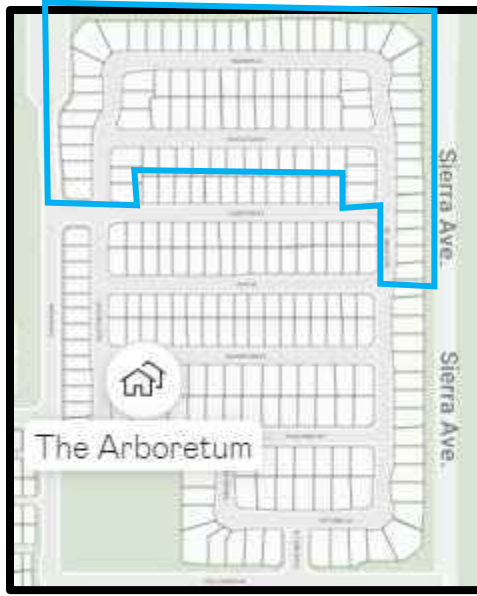


Silverberry is proposed for 97 single-family detached homes on lots with a minimum lot size of 4,000 square feet. The plans range in size from 2,449 to 2,877 square feet. The three floor plans all are two stories with three to four bedrooms and attached two-car garages. The plans are offered with Spanish, Prairie or California Craftsman influenced architecture detailing. Exteriors include designer coach lights and block rear fencing with tubular steel gates (per homesite). Interiors include ceramic tile entry, Shaw vinyl flooring and Shaw carpeting along with upgraded baseboards, casings and 2-panel interior doors, bull-nose corners, fully dry-walled garages and cable

outlets (per plan). The kitchens include GE stainless steel appliances including built-in dual ovens, and granite or quartz countertops with thermofoil shaker cabinetry and a pull-out receptacle with recycle bins along with a kitchen island. The owner's suite includes a separate tub and shower, elongated toilets and a separate water closet along with a walk-in closet. Connectivity includes a Legrand On-Q 30" RF transparent structured media enclosure and a Honeywell smart thermostat. Energy efficiency includes a tankless water heater dual-glazed windows, insulated roll-up garage doors, LED lighting throughout and Boral cool roof tiles. There is also an integrated solar energy system provided through participation in the buyer-friendly new home energy plan by Sunnova.

The models are located on Tea Tree Lane, off Hazel Nut Lane. There are two models, with Plan One not modeled. Seventy-one of the homes have closed escrow to homebuyers. There are 11 production homes over 95 percent complete (all in escrow) and an additional 13 homes under construction (seven in escrow). The project opened for sale March 11, 2023, with base pricing \$690,990 to \$729,990 while current base pricing is \$742,910 to \$813,830. The homes began closing August 16, 2023, with actual closed net sales prices (as reported by the builder) ranging from \$638,120 to \$784,370. These reported prices include all premiums, options and incentives. Our search of the MLS revealed no resales and no current resale listings. Our physical search noted all homes appear to be in excellent condition. It should be noted that the seller is offering varying concessions including some rate buy downs, on a case-by-case basis. The total incentives including closing cost/rate buy downs have ranged from zero to \$107,780. The houses which are over 95 percent complete are shown below in the table following the descriptions.

Wildrose (Outlined in Blue)



Wildrose is proposed for 88 single-family detached homes on lots with a minimum lot size of 4,950 square feet. The three plans range in size from 1,905 to 3,105 square feet. Plan One is a single-story while Plans 2 and 3 are two-story. The homes have three to five bedrooms and attached two to three-car garages. The plans are offered with Santa Barbara, Modern Farmhouse and European Cottage influenced architecture detailing. Exteriors include designer coach lights and block rear fencing with tubular steel gates (per homesite). Interiors include ceramic tile entry, Shaw vinyl flooring and Shaw carpeting along with upgraded baseboards, casings and 2-panel interior doors, bull-nose corners, fully dry-walled garages and cable outlets (per plan). The kitchens include GE stainless steel appliances including built-in dual ovens, and granite or quartz countertops with thermofoil shaker cabinetry and a pull-out receptacle with recycle bins along with a kitchen island. The owner's suite includes a separate tub and shower, elongated toilets and a separate water closet along with a walk-in closet. Connectivity includes a Legrand On-Q 30" RF transparent structured media enclosure and a Honeywell smart thermostat. Energy efficiency includes a tankless water heater dual-glazed windows, insulated roll-up garage doors, LED lighting throughout and Boral cool roof tiles. There is also an integrated solar energy system provided through participation in the buyer-friendly new home energy plan by Sunnova.

The models are located at Tea Tree Lane and Broad Leaf Way. There are two models, with Plan One not modeled. Sixty-six of the

homes have closed escrow to homebuyers. There are 12 production homes over 95 percent complete (ten in escrow) with the final eight homes under construction (two in escrow). The project opened for sale March 11, 2023, with base pricing \$660,990 to \$766,990 while current base pricing is \$729,480 to \$819,325. The homes began closing August 11, 2023, with actual closed net sales prices (as reported by the builder) ranging from \$610,644 to \$810,206. These reported prices include all premiums, options and incentives. Our search of the MLS revealed no closed resales however two homes within Wildrose are currently listed for sale, with one pending and the other currently offered on the market. Our physical search noted all homes appear to be in excellent condition. It should be noted that the seller is offering varying concessions including some rate buy downs, on a case-by-case basis. The total incentives including closing cost/rate buy downs have ranged from zero to \$92,208. The houses which are over 95 percent complete are shown below in the table following the descriptions.

Azalea (Outlined in Blue-includes Silverberry & Wildrose Models)



Azalea is proposed for 64 single-family detached homes on lots with a minimum lot size of 6,000 square feet. The three plans range in size from 2,215 to 3,339 square feet. Plan One is single-story while Plans 2 and 3 are two-story. The plans have four to five bedrooms with two and three-car attached garages. Plan 3 offers a NextGen Suite for an extended family member. The plans are offered with Craftsman, California Prairie and Modern Farmhouse influenced architecture detailing. Exteriors include designer coach lights and block rear fencing with tubular steel gates (per homesite). Interiors include ceramic tile entry, Shaw vinyl flooring and Shaw carpeting along with upgraded baseboards, casings and 2-panel interior doors,

bull-nose corners, fully dry-walled garages and cable outlets (per plan). The kitchens include GE stainless steel appliances including built-in dual ovens, and granite or quartz countertops with thermofoil shaker cabinetry and a pull-out receptacle with recycle bins along with a kitchen island. The owner's suite includes a separate tub and shower, elongated toilets and a separate water closet along with a walk-in closet. Connectivity includes a Legrand On-Q 30" RF transparent structured media enclosure and a Honeywell smart thermostat. Energy efficiency includes a tankless water heater dual-glazed windows, insulated roll-up garage doors, LED lighting throughout and Boral cool roof tiles. There is also an integrated solar energy system provided through participation in the buyer-friendly new home energy plan by Sunnova. The models are located on Broad Leaf Way at Tulip Tree Street. There are two models, with Plan One not modeled. Fifty-two of the homes have closed escrow to homebuyers. There are seven production homes over 95 percent complete (all in escrow) and two model homes, along with no homes under construction and three remaining lots around the model complex. The project opened for sale March 11, 2023, with base pricing \$698,990 to \$822,990 while current base pricing is \$741,990 to \$889,670. The homes began closing August 14, 2023, with actual closed net sales prices (as reported by the builder) ranging from \$622,812 to \$856,352. These reported prices include all premiums, options and incentives. Our search of the MLS revealed one current resale listing and no closed resales. Our physical search noted all homes appear to be in excellent condition. It should be noted that the seller is offering varying concessions including some rate buy downs, on a case-by-case basis. The total incentives including closing cost/rate buy downs have ranged from zero to \$87,034. The houses which are over 95 percent complete are shown below in the table.

| The Gardens Phase One by Lennar | | | | | |
|--|---------|--------------------|---------|---------------|----------------|
| Plan | Bd/Ba | Floors/ Parking | Sq. Ft. | Ind. Owned | Bldr. Owned |
| Dayflower | | | | | |
| 1 | 3 / 2 | 2 / 2 | 1,582 | 17 | 1* |
| 2 | 4 / 3 | 2 / 2 | 1,563 | 16 | 2* |
| 3 | 4 / 3 | 2 / 2 | 1,669 | 17 | 3* |
| Subtotal Dayflower | | | | 50 | 6 |
| Blue Sage | | | | | |
| 1 | 3 / 2.5 | 2 / 2 | 1,651 | 21 | 0 |
| 2 | 3 / 2.5 | 2 / 2 | 1,761 | 23 | 1* |
| 3 | 4 / 2.5 | 2 / 2 | 1,868 | 13 | 1* |
| 4 | 4 / 3 | 2 / 2 | 1,970 | 10 | 1* |
| Subtotal Blue Sage | | | | 67 | 3 |
| Acacia | | | | | |
| 1 | 3 / 2.5 | 2 / 2 | 2,213 | 20 | 2 |
| 2 | 3 / 2.5 | 2 / 2 | 2,358 | 19 | 4* |
| 3 | 4 / 2.5 | 2 / 2 | 2,472 | 21 | 4* |
| Subtotal Acacia | | | | 60 | 10 |

| Silverberry | | | | | |
|------------------------------------|---------|-------|-------|-----------|-----------|
| 1 | 4 / 3 | 2 / 2 | 2,449 | 18 | 4 |
| 2 | 4 / 3 | 2 / 2 | 2,666 | 27 | 4* |
| 3 | 4 / 3 | 2 / 2 | 2,877 | <u>26</u> | <u>5*</u> |
| Subtotal Silverberry | | | | <u>71</u> | <u>13</u> |
| Wildrose | | | | | |
| 1 | 3 / 2 | 1 / 2 | 1,905 | 18 | 3 |
| 2 | 5 / 3 | 2 / 3 | 2,985 | 23 | 5* |
| 3 | 4 / 3 | 2 / 3 | 3,105 | <u>25</u> | <u>6*</u> |
| Subtotal Wildrose | | | | <u>66</u> | <u>14</u> |
| Azalea | | | | | |
| 1 | 4 / 2 | 1 / 2 | 2,215 | 16 | 0 |
| 2 | 5 / 4 | 2 / 3 | 3,251 | 18 | 4* |
| 3 (NG) | 4 / 3.5 | 2 / 3 | 3,339 | <u>18</u> | <u>5*</u> |
| Subtotal Azalea | | | | <u>52</u> | <u>9</u> |
| Total The Gardens Phase One | | | | | |

*One of each of these is a model. NG stands for NextGen, a floorplan that features a first-floor suite. There are an additional 83 homes under construction (68 owned by Lennar and 15 owned by AG EHC II), and 22 additional pads/lots with five owned by Lennar and 17 owned by AG EHC II, not shown on the above table.

THE INLAND EMPIRE HOUSING MARKET

In analyzing the area's housing market, population growth and economic conditions need to first be considered.

Population

The San Bernardino County population grew 0.4 percent between January 2023 and January 2024, and an average of about two percent the previous 20 years. Projections for the County's growth over the next six years is currently about 0.6 percent per year. This equates to an increase of approximately 13,000 residents per year suggesting the need for about 3,500 homes per year within the County. New home sales in most cities in the County since 2020 have been higher than the coastal communities due to affordability, the work from home factor, and the fact that millennials are finally entering the housing market.

Economic Conditions

Over the past twenty-five years the Inland Empire has seen various cycles in the housing market. The Great Recession impacted the Inland Empire significantly and resulted in a longer recovery period than that of other Southern California regions. The rise and then fall of housing prices in the Inland Empire between 2004 and 2009 were considerably steeper than almost anywhere in the State. Unfortunately, this meant that the people who bought near the peak of the market likely faced significant negative equity. After essentially remaining flat for a few years, housing prices began to increase in late 2012 through January 2020. Once the COVID pandemic hit in March 2020, the economy entered what is now known as the COVID disruption. The housing market slowed down significantly early on, but by May 2020, new homes were going under contract and selling at well above average absorption rates from May 2020 through Spring of 2022 in the region. Beginning in mid-2022, the new home market saw a slowdown in absorption rates due to the increasing interest rates, the high prices of homes, and the high rate of inflation which was shaking consumer confidence.

Median housing prices (all types) in the County increased almost 300 percent from \$120,406 at the lowest point in 2009 to the June 2024 peak of \$522,500 while the July median price is \$515,000 per the California Association of Realtors. This is 6.2 percent higher than one year ago.

Economic growth in the Inland Empire was strong generally between 2015, after the Great Recession, and until the economic shutdown due to COVID. The second half of 2020 and all of 2021 saw economic growth, however the first two quarters of 2022 saw GDP shrinking. The most recent unemployment rate for the County is 5.7 percent (per the July 2024 EDD report). The end of 2022 saw lower unemployment rates than the County's pre-COVID unemployment rate in February 2020 of 4.0 percent, however 2023 and thus far in 2024, unemployment has been rising from 3.6 to a high of 5.7 percent. This past month unemployment has increased by about one-half percent. While unemployment rates are still near historical lows, the inflation factor has significantly affected the economy.

The housing market played a large role in the past two recessions. In the Great Recession, due to increased interest rates and rising home prices between June 2004 and mid-2006, the market reaction was to create non-conventional financing alternatives, such as sub-prime and non-conventional mortgages, to artificially maintain the boom housing market of 2004 and 2005. By 2007, the housing market saw a shake-up because of the problems in the sub-prime and non-conventional mortgage markets, which played a role in the 2008 upheaval of Wall Street and contributed significantly to the U.S. economic downturn of the Great Recession. Due to stricter income verification on new loans and the lack of available credit, coupled with job losses and declining home prices, sales of new homes slowed for the next few years and essentially remained flat until mid-2012 when home prices began a steady climb.

During the COVID disruption, new home sales were one of the brightest spots in both the local and national economies. While new home sales slowed in March and April 2020 due to the onset of the COVID pandemic, both sales and prices increased significantly due to

strong demand from May 2020 throughout COVID until spring 2022 when interest rate increases began affecting the home-buying market. The rising interest rates alone did not seem to slow sales in Spring 2022. However, a combination of increasing home prices and falling consumer confidence, added to the significant interest rate increases, slowed new home sales significantly beginning in mid-2022. Due to the significantly higher mortgage interest rates, existing homeowners are not moving which has stifled the existing home market, making the new home market the only option for some. In the Inland Empire there were 44,087 existing homes closings in the past 12 months (down 17.8 percent from one year ago) and 9,072 new home closings in the past 12 months (down 9.7 percent from the previous year), all information as of May 2024, per Zonda Research, a new home market research company. In January 2022, mortgage rates were 3.22 percent (for a typical 30-year fixed conventional mortgage) while as of August 15, 2024, the rate for the same loan is 6.49 percent which is down from the high of 7.63 percent in October 2023. On a \$600,000 mortgage, the current monthly payment for this loan has increased from \$2,595 to \$3,768 or over 45 percent which has hit homebuyers hard.

Per the Zonda National Economic and Housing Market Update in March 2024, the rate of growth of new home sales is off from COVID highs but up from 2022 sales numbers, suggesting a healthy market. Per their survey of over 300 new-home builders nationally, the builders are stating sales are continuing but report they had to adjust pricing and incentives to “find the market.” In the January 2023 survey, 50 percent of builders surveyed were lowering their prices and the remaining 50 percent stated their pricing was flat. In March 2024, the survey resulted in 50 percent of the builders stating their pricing was increasing a little, 46 percent of builders stating their pricing was flat and 4 percent dropping prices. This is a very different dynamic than in January 2023 which was partly due to builder’s readjusting concessions (interest rate buy-downs), and partly due to the market accepting the mortgage rate increases. In the Spring of 2024 market, over 60 percent of new-home builders in the U.S. are offering either full-term or temporary interest rate buy-downs (John Burns Research and Consulting) which has helped to sustain new home sales. Per Zonda, in March 2024, 80 percent of new home builders in the Inland

Empire are offering incentives. Recently, it appears rate buy-downs have been slowing with some public builders lowering their pricing rather than offering rate buy-downs.

The larger public homebuilders began offering significant interest rate buy-downs in early 2023 in order to keep absorption rates steady, which reportedly cost between \$30,000 and \$100,000 in incentives. The builders are attempting to find the “sweet spot” in incentives. In their September 2023, survey of 300 builders nationwide, Zonda asked builders to check all that they were offering and found 70 percent of builders surveyed were offering rate buydowns, 60 percent were offering funds towards closing costs, 33 percent were offering flex dollars, 22 percent were offering lower home prices and 20 percent were offering funds toward options and upgrades. In the subject communities, per Lennar representatives, the concessions have ranged from zero to \$107,780. The question is, how long can builders continue to offer these significant incentives. As rates go higher, the extent that builders can buy-down the mortgage rates goes down.

Home loan mortgage rates have been and are still playing a huge part in the housing market. The Board held mortgage rates at all-time lows after the Great Recession and again after the COVID Recession in an attempt to assist the housing market's recovery. Low rates helped home sales during this time. However, first-time buyers are now having a hard time entering the housing market due to rising prices and rising interest rates. Mortgage applications had been spiking in late 2020 and 2021 due to the low rates and the fear rates were going to start ticking up, which began happening in March 2022. The Board increased the rate eleven times between March 2022 and August 2023, which increased the FFR from 0-0.25 percent to 5.25-5.50 percent. At the latest Board meeting in July 2024, they paused the FFR increases for the eighth time and suggested a decrease may come at the next meeting in September 2024. The financial markets had been anticipating a possible March 2024 decrease which caused volatility in the financial markets in early 2024. The stock market hit an all-time high in late July 2024, on the anticipation of a decrease later this year. The FFR increases are supposed to help slow the high inflation rate in the Nation, which appears to be occurring as the latest reports

are showing inflation in July 2024 at 2.9 percent, significantly down from a high of 9.1 percent in June 2022.

While new home builders slowed production as sales slowed in 2022, the spring of 2023 brought optimism to builders once again. Sales were up month over month as buyers adjusted to higher mortgage rates and the existing home inventory is at all-time lows. Existing homeowners that are locked into an under 4 percent mortgage are not moving up due to the current near seven percent rates. This is creating a supply issue for existing homes. New home sales are benefiting from this supply issue as in some cases, the only option for homebuyers are new homes. Per Zonda, historically, new homes captured 10 to 13 percent of all home sales; however, due to the limited supply of existing homes currently on the market, new homes are capturing closer to 25 percent of all homes sales in the Inland Empire.

Residential Land Development

While there had been little land development going on in most of the Inland Empire during the Great Recession years 2008-2011, the second half of 2012 saw a resurgence in the more coveted areas of the Inland Empire. The increase in housing prices since 2012 combined with the limited availability of supply made land development feasible once again for homebuilders. It is thought that the increase in regulations, which has significantly increased the timeline for processing entitlements, has limited the master developers' further entitlement of developable land in California. While prior to the recession it was not unusual to see numerous large master-planned communities selling lots to various builders, there are few currently available in the subject area. The majority of land sales over the past few years include single tracts of land with maps ready to record (such as Richmond American's Highland Park and Lennar's Monterado) or a public builder buying a larger piece of land but develops the land for its own use, such as Narra Hills by Landsea and The Gardens Phase One at the Arboretum by Lennar (subject property).

Land sales in the Inland Empire slowly grew from 2012 up to a peak in 2017, with 2018 and 2019 showing lower land transactions. Once home sales exploded in May 2020, land sales followed with a significant number of residential land sales to builders in the Inland Empire during the second half of 2020 and throughout 2021. The beginning of 2022 continued with residential land sales going under contract until May, when new home sales began to fall sharply. According to Zonda's survey of builders regarding residential land purchases, as of January 2023 only 2 percent of builders surveyed were "full steam ahead," and almost 40 percent were pausing transactions or bidding lower on land transactions. As of March 2024, these percentages had changed drastically with 49 percent stating they are going "full steam ahead" and 46 percent moving "cautiously forward." The increase in optimism from new home builders outlook is partially due to the extreme slowdown of existing home inventory which is fueling new home sales.

New Home Sales and Pricing

We have researched new single-family homes within the subject's market in order to reflect residential trends. It should be noted these sales numbers and prices pertain to new home sales while later in this section we discuss existing home sales. In reviewing new home sales in the Inland Empire market area, per the August 18, 2024, Ryness Report, the year-to-date average sales rate (4.0 sales per month) is the same as the same time period of the previous year. The market commentary within this Ryness Report on the entire U.S. new housing market states that both new and existing home sales softened in June. They believe the high rates are discouraging would-be buyers and that buyers expectations for lower rates are keeping buyers on the sidelines. New home sales overall in the Country slipped 0.6 percent in June to its lowest point since last November with new homes for sale increasing for the third consecutive month in June amounting to 9.3-month supply at the current sales pace. The Inland Empire has the average number of sales per month the same as one year prior; however, within the subject's submarket of Central San Bernardino (included Fontana, Rialto and Bloomington) sales year to date are down about eight percent from the same time period in 2023 (647 sales year to date in 22 projects in 2024 and 727 sales year to date in 25 projects in 2023). It should be noted however, of the 22 active projects reported by Ryness, five are nearing completion,

thus there are closer to 17 active projects selling new homes in the Central San Bernardino submarket. Surprisingly, even with the high pricing and mortgage rates, sales of new homes are still occurring, however at a slightly slower rate than last year. This is partially due to the extremely limited supply of existing homes which is creating more demand for new homes. As interest rates rise, purchasing power becomes lower and therefore fewer people purchase new homes. Along with home sales comes a demand for appliances, furniture, building materials and services such as insurance, mortgage services, inspections, interior designers, and landscapers, all contributing to the area economy.

When comparing the August 18, 2024, Inland Empire Ryneess Report to one year prior, there are 27 less projects (234 in July 2023 and 207 in July 2024) and sales are the same with the monthly average year to date at 4.0 sales per month per project. Looking back, in 2022 the Inland Empire average sales rate was 4.3 homes per month; in 2021 the average sales rate was 4.9 homes per month, in 2020 the average sales rate in the Inland Empire was 4.1 sales per month, similar to the current absorption rate and in 2019, prior to the COVID disruption, the average sales rate was 3.4 sales per month. The similar sales rate to 2020 suggests new home buyers can weather the higher mortgage rates. However, the reader should note existing home listings are over 30 percent lower than in 2020 which increases the amount of new home buyers.

New single-family home pricing (combines both attached and detached) in the Inland Empire has also seen changes. The median new home price in the Inland Empire changed from the peak value of \$437,200 in the third quarter of 2006 to \$268,155 in early 2009 (decrease of 39 percent) while the current Inland Empire median new home price is \$611,000 for a detached home and \$528,000 for an attached home, with detached homes nearing the peak which was obtained in January 2024 and attached at a new peak. New home sale prices fluctuate based on the land value and competition more than on the cost of building the home. While finishes and sizes of homes can change, the basic costs on a per square foot basis typically do not fluctuate as much as land values;

however, there have been inflationary increases in construction costs adding to this increase. Construction materials have increased over 40 percent since 2019.

We have reviewed Empire Economics' Price Point Review Study on Fontana CFD No. 112 (The Gardens Phase One) dated August 16, 2024. Empire Economics did an original Price Point Study on the project in November 2022 in order to determine their price points for the various plans within The Gardens Phase One. The "Review Study" is to ascertain if the prices have increased or decreased since the original Study. The Empire Economics Price Point Review Study concluded that one plan within Silverberry had a current base price conclusion which was below the original base price conclusions in November 2022 by 1.6 percent while the remainder of the plans has price points above the conclusions in November 2022. The 19 remaining plans within The Gardens Phase One showed increases ranging from 0.8 to 16.3 percent. Overall, the plans averaged a 4.56 percent increase from the original November 2022 Price Point Study. The Review Study took into account the concessions which are included in their net prices even though some are not included in the reported sales prices. That is, interest rate buy-downs and closing cost incentives are not reported in the sales prices, however, are considered in both the Price Point Review Study and in the appraisal analysis.

Within our search for the most comparable actively selling new home communities, we searched the subject area of North Fontana, which currently features a multitude of actively selling new home communities. We found 16 communities comparable to the homes at The Gardens Phase One. The comparables have current base prices ranging from \$508,900 to over \$1,000,000. The Gardens Phase One new homes have a range of base prices from \$508,900 to \$889,670, which falls within the range of comparable new homes in the area and includes the lowest of all the comparables price range for the carriage house single-story unit within Dayflower which is up over garages.

Existing Homes Sales and Pricing

While the previous section looked at new home sales and pricing, this section refers to existing homes in the Inland Empire. According to the California Association of Realtors'

most recent data, within overall Southern California, the median price paid for an existing single-family home in July 2024 (\$881,000) is 0.7 percent higher than the month prior median home price (\$875,000), and up 6.1 percent year-over-year from \$830,000 in July 2023. These overall Southern California numbers compare to San Bernardino County with \$515,000 as the median price paid for an existing home in the County in July 2024, down 1.4 percent from the previous month (\$522,500), however up 6.2 percent on a year-over-year basis (\$485,000). Below is a table showing the sales and prices for the Southern California area by County per the CAR.

| Southern California Existing Home Sales | | | | | | |
|---|-------------|-------------|-------------|--------------------|--------------------|--------------------|
| County | July 2024 | June 2024 | July 2023 | Price MTM % Change | Price YTY % Change | Sales YTY % Change |
| Los Angeles | \$909,020 | \$889,180 | \$851,540 | 2.2% | 6.7% | 9.1% |
| Orange | \$1,390,000 | \$1,450,000 | \$1,300,000 | -4.1% | 6.9% | 12.4% |
| Riverside | \$650,000 | \$643,500 | \$615,000 | 1.0% | 5.7% | 11.5% |
| San Bernardino | \$515,000 | \$522,500 | \$485,000 | -1.4% | 6.2% | 22.4% |
| San Diego | \$1,020,000 | \$1,054,180 | \$926,020 | -3.2% | 5.3% | 11.1% |
| Ventura | \$972,000 | \$964,500 | \$920,000 | 0.8% | 5.7% | 7.9% |
| Southern Calif. | \$881,000 | \$875,000 | \$830,000 | 0.7% | 6.1% | 11.4% |

Source: California Association of Realtors

Based on July 2024 median existing homes prices, in comparison to the majority of the surrounding counties, San Bernardino has a definite price advantage. The “San Bernardino County Advantage” (price difference between San Bernardino and surrounding counties) is \$135,000 as compared to Riverside County, \$394,020 as compared to Los Angeles County, \$457,000 as compared to Ventura County, \$505,000 as compared to San Diego County and \$875,000 as compared to Orange County. That is, in July 2024, the median priced home in San Bernardino County (\$515,000) was \$875,000 less than the median priced home in Orange County (\$1,390,000). Typically, as the price advantage widens, homebuyers are more open to commuting to further out areas. Recently the San Bernardino County “price advantage” has widened for the majority of counties. With the current work-from-home concept, the suburban areas have seen more growth which put pressure on home prices in San Bernardino County.

In a separate attempt to capture the amount of increase in home prices, the resale activity of existing homes in the subject’s immediate area (per Redfin.com) has been reviewed.

The number of sales and sale prices of both new and existing single family detached homes within market areas surrounding the subject are shown in the table below.

| Community Name | Location To Subject | No. of Sales July '24 | July '24 Median Sale Price | Price % Change Y-O-Y |
|------------------|-------------------------|-----------------------|----------------------------|----------------------|
| North Fontana | Larger Subject Vicinity | 51 | \$720,000 | 7.8% |
| All of Fontana | Subject and South | 89 | \$650,000 | 7.9% |
| Rialto | East | 53 | \$599,000 | 6.3% |
| Rancho Cucamonga | West | 109 | \$762,000 | 5.1% |
| Jurupa Valley | South | 41 | \$685,000 | 1.5% |

Source: Redfin Housing Market Trends July 2024

The median home price of a detached home in the subject's vicinity of North Fontana in July 2024 was \$720,000, which is near the high end of the range of the detached home prices in the subject area. All of the new homes currently selling in Fontana are in the northern area of the city. The low end of the range relates to the area which includes all of Fontana including the southern portion that includes older homes and the Rialto area which also has older homes. The above price fluctuations from year-to-year relate to the California Department of Real Estate's overall San Bernardino County detached home resale price increase of 6.2% percent year-over-year from July 2023 to July 2024.

According to the Ryness Report dated August 18, 2024, there are currently 22 new home projects in the subject's Central San Bernardino submarkets, with the City of Fontana housing 16 of them (including the subject's six).

The Gardens Phase One - Sales and Pricing

The Gardens Phase One is comprised of 526 proposed single-family homes with marketed sizes from 1,563 to 3,339 square feet with products ranging from attached triplex homes to single-family detached homes on minimum 6,000 square foot lots. The Gardens Phase One began sales in March 2023 with the exception of Dayflower which opened in April 2023. They have sold a total of 447 homes suggesting an average sales rate of 26.3 homes per month since March 2023. Base pricing has increased from 3.0 to 11.5 percent depending on the home type and plan with no price reductions.

Dayflower

Within Dayflower they have sold 65 homes resulting in an average absorption rate of 4.1 homes per month with base prices increasing from 4.7 to 8.4 percent depending on the plan. Original base pricing was from \$479,900 to \$513,900 while current base pricing is from \$508,900 to \$556,900. Actual sales prices on closed homes range from \$414,530 to \$526,577 (these prices include all premiums, options and a deduction of all incentives).

Blue Sage

Within Blue Sage they have sold 78 homes resulting in an average absorption rate of 4.6 homes per month with base prices increasing from 3.9 to 6.8 percent depending on the plan. Original base pricing was from \$566,990 to \$600,990 while current base pricing is from \$589,290 to \$641,990. Actual sales prices on closed homes range from \$495,372 to \$640,990 (these prices include all premiums, options and a deduction of all incentives).

Acacia

Within Acacia they have sold 78 homes resulting in an average absorption rate of 4.6 homes per month with base prices increasing from 2.4 to 6.9 percent depending on the plan. Original base pricing was from \$632,990 to \$655,990 while current base pricing is from \$648,060 to \$701,290. Actual sales prices on closed homes range from \$558,421 to \$687,165 (these prices include all premiums, options and a deduction of all incentives).

Silverberry

Within Silverberry they have sold 89 homes resulting in an average absorption rate of 5.2 homes per month with base prices increasing from 7.5 to 11.5 percent depending on the plan. Original base pricing was from \$690,990 to \$729,990 while current base pricing is from \$742,910 to \$813,830. Actual sales prices on closed homes range from \$638,120 to \$784,370 (these prices include all premiums, options and a deduction of all incentives).

Wildrose

Within Wildrose they have sold 78 homes resulting in an average absorption rate of 4.6 homes per month with base prices increasing from 6.8 to 10.9 percent depending on the

plan. Original base pricing was from \$660,990 to \$766,990 while current base pricing is from \$729,480 to \$819,325. Actual sales prices on closed homes range from \$610,644 to \$810,206 (these prices include all premiums, options and a deduction of all incentives).

Azalea

Within Azalea they have sold 59 homes, however they have been temporarily sold out since June 2024 which results in an average absorption rate of 3.9 homes per month with base prices increasing from 6.1 to 8.1 percent depending on the plan. Original base pricing was from \$698,990 to \$822,990 while current base pricing is from \$741,900 to \$889,670. Actual sales prices on closed homes range from \$622,812 to \$856,352 (these prices include all premiums, options and a deduction of all incentives).

The sales rates for the five communities range from 3.9 to 5.2 sales per month, which is generally above the average of the various projects in both the Inland Empire and in the subject submarket. Per the Ryness Report, a new home tracking service, as of August 18, 2024, year-to-date average sales per project per month in the Inland Empire is 4.0 homes while within the subject's submarket of Central San Bernardino the year-to-date average sales per project per month is 3.6. The subject has a higher sales rate than the averages in the area and homes are still selling, along with increased base pricing.

Summary

The Inland Empire had seen substantial increases in pricing since 2012 with most areas, including the subject, showing astronomical increases from mid-2020 through today. While existing home sales were originally down when COVID began in spring/early summer 2020, new home sales subsequently shot up due to the existing home market supply being constrained and interest rates hitting all-time lows during COVID. The latest statistics indicate a recent slowdown in sales, possibly as buyers are on the sidelines waiting for rates to come down. The Fontana new-home submarket is performing slightly below the Inland Empire market as a whole, however five of the subject's six neighborhoods are experiencing higher absorption rates along with increased pricing with the sixth neighborhood just slightly below the Inland Empire's average and above the

subject's submarket's average. Despite uncertainty hitting the market due to interest rates and inflation, most observers agree that the Inland Empire housing market is healthy and population growth is still estimated to occur in the area. It is believed that as the population continues to increase, housing growth will also continue, despite a possible economic slowdown.

HIGHEST AND BEST USE ANALYSIS

The highest and best use is a basic concept in real estate valuation due to the fact that it represents the underlying premise (i.e., land use) upon which the estimate of value is based. In this report, the highest and best use is defined as:

"the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value"⁵

Proper application of this analysis requires the subject properties to first be considered "As If Vacant" in order to identify the "ideal" improvements in terms of use, size and timing of development. The existing improvements (if any) are then compared to the "ideal" improvements to determine if the use should be continued, altered or demolished preparatory to redevelopment of the site with a more productive or ideal use.

"As If Vacant"

In the following analysis, we have considered the sites probable uses, or those uses which are physically possible; the legality of use, or those uses which are allowed by zoning or deed restrictions; the financially feasible uses, or those uses which generate a positive return on investment; and the maximally productive uses, or those probable permissible uses which combine to give the owner of the land the highest net return on value in the foreseeable future.

Physically Possible Uses

The subject property is irregular in shape, consisting of 69.919 gross acres per recorded Tract Map Nos. 20362, 20363 and 20364. The site is south of Duncan Canyon Road with the majority of the property along the east side of Cassava Way with one square shaped parcel on the west side of Cassava Way, all located within the northern portion of the City of Fontana. The lands are essentially level at grade of surrounding streets. The site is bounded by Sierra Avenue to the east, Casa Grande Road to the south, Cassava Drive, vacant lands (currently being developed by Richmond American) or an existing

⁵ The Appraisal of Real Estate, 11th Edition

condominium complex in Gabion Ranch to the west and Duncan Canyon Road to the north. Beyond the surrounding streets is vacant land north of Duncan Canyon Road (future section of Arboretum Specific Plan known as The Resort), and a new industrial building and vacant land for industrial use on the east side of Sierra Avenue beyond which are existing residential lands. To the south below Casa Grande Road is the master plan of Gabion Ranch which is built and sold out while beyond Cassava Drive to the west is Phase Two of The Gardens (beginning development) beyond which is The Meadows, another section within The Arboretum Specific Plan which is built and sold out.

The subject site has been graded for 526 single-family homes: 64 detached lots with a minimum lot size of 6,000 square feet; 88 detached lots with a minimum lot size of 4,700 square feet, 97 lots with a minimum lot size of 4,000 square feet, 109 detached lots with a minimum lot size of 2,700 square feet and two condominium lots, one graded for 99 detached homes on approximate 2,000 square foot lots and the other for 69 triplex homes. We have reviewed a Soils Report on the subject site which concluded that the development of the site into the proposed residential use is feasible; however, all mitigation measures recommended within the report should be adhered to during construction. We have not received an environmental report to review. It is an assumption of this report that the soil is adequate to support the highest and best use, and that there are no soils or environmental issues which would slow or thwart development of the property. This is evidenced by existing homes on the site which were recently built with City inspectors on site during construction.

An engineered drainage system appears to have been designed into a street drainage system for the entire tract. All standard utilities are available to serve the subject property. The site has excellent access via I-15, exit Duncan Canyon Road and east about one mile to the subject. There are two neighborhood shopping centers within two miles of the subject at I-15 and Beech Avenue/Summit Avenue exit, one anchored by Target and Stater Bros. and one by Kohls.

Based on the physical analysis, the size and access make the subject property physically suited for numerous types of development; however, the grading that has occurred on the site suggests residential development.

Legality of Use

The subject property is located within the City of Fontana in the County of San Bernardino. We have reviewed a letter from the Planning Division of Fontana which allowed for Tract Maps 20362, 20363 and 20364 to be developed into 358 single-family detached lots and two condominium lots along with site plans for the two condominium lots which show 168 units for a total of 526 residential units. Per the City of Fontana General Plan and their Zoning Map, the subject is shown as within The Arboretum Specific Plan. Per The Arboretum Specific Plan, the site is shown as RMF (Residential Multi-Family with varying densities ranging from 3 to 16.1 dwelling units per acre. The subject has an overall density of 6.31 dwelling units per acre for Tract Maps 20363 and 20364 (Acacia, Silverberry, Wildrose and Azalea) and an overall density of 12.75 units per acre for the two condominium lots. These are within the allowed densities per the Specific Plan.

Based on the legality of use analysis, the type of development for which the subject properties can be utilized is narrowed to residential use. This is consistent with the findings of the physically possible uses.

Feasibility of Development

The third and fourth considerations in the highest and best use analysis are economic in nature, i.e., the use that can be expected to be most profitable. As discussed under the Inland Empire Housing Market section earlier within this report, the market had shown strong increases in both sales and pricing since COVID until late 2022 when high home prices and increasing interest rates began to slow sales. Overall home sales have slowed down significantly, partially due to existing homeowners not moving due to the higher interest rates, which is stifling the existing home market, at times leaving new homes the only option for homebuyers. Within The Gardens Phase One there have been 447 sales to date with the first sale occurring in March 2023, suggesting an overall sales rate between the six communities of 26.3 sales per month with actual per project absorption

rates between 3.9 and 5.2 homes per month which is generally above the average year to date sales per month in the Inland Empire (4.0) and all above the average sales per month in the subject's submarket (3.6). While the absorption rates are above the average of surrounding projects, all structures appear to be in excellent condition with no physical depreciation apparent. Within the new home market in Fontana, we found 15 projects (including the six subject neighborhoods) to be most comparable to the subject property. While the market softened, beginning the second half of 2022 due to interest rates rising, the Inland Empire is still seeing demand and new homes are still selling. Our search for land sales found 11 land sales within the past year that we consider to be comparable. Population growth is still occurring in the area and will continue to create the need for housing. Based on the above analysis, the highest and best use for the subject property appears to be for single-family residential development at the right price points.

Maximum Productivity

Based on the market activity of residential lands in the immediate area, we have concluded there is a need/demand for residential lands.

Highest and Best Use Conclusion – “As If Vacant”

The final determinant of highest and best use, as if vacant, is the interaction of the previously discussed factors (i.e., physical, legal, financial feasibility and maximum productivity considerations). Based upon the foregoing analysis, it is our opinion that the highest and best use for the subject property is for residential land use.

Highest and Best Use – “As Improved”

The subject property consists of six neighborhoods within the community of The Gardens Phase One with a total of 526 proposed homes which are currently being marketed by Lennar. The Gardens Phase One began selling in March 2023 and has sold 447 homes to date, reflecting a sales rate of 26.3 sales per month spread across the six product lines. Independently, Dayflower has a sales rate of 4.1 homes per month, Blue Sage has an average sales rate of 4.6 homes per month, Acacia has an average sales rate of 4.6 homes per month, Silverberry has an average sales rate of 5.2 homes per month,

Wildrose has an average sales rate of 4.6 homes per month and Azalea has an average sales rate of 3.9 homes per month. Base prices at The Gardens Phase One have generally increased since grand-opening on all communities with base price increases ranging from 2.4 to 11.5 percent depending on the plan and no price decreases. The absorption rates within the subject communities are all faster than the subject submarket average (3.6 homes per month) with only Azalea (3.9 sales per month) having a slightly slower sales rate than the average absorption rate within the overall Inland Empire (4.0 sales per month). It should be noted that Azalea has temporarily sold out, which is affecting the overall average sales rate. In addition, prices on all plans have been increasing. Builders are offering concessions to increase absorption rates in the area. In marketing The Gardens Phase One, the builder is offering concessions, including rate buy-downs and help with closing costs, on a case-by-case basis, at times offering significant amounts if a house is going to be standing inventory. These concessions have ranged from \$0 to \$107,780 with an average of \$43,291 per closed sale and an average of \$33,971 on the 81 homes currently in escrow. Some builders in the area, including Lennar, appear to offer higher concessions in order to maintain higher absorption rates. Per Empire Economics' Price Point Review Study, the plan pricing (including incentives being offered) has decreased on one plan within Silverberry however increased on the remaining plans with an average increase of 4.56 percent between proposed pricing in November 2022 and current pricing. The sales absorption rate within The Gardens Phase One is above the market area. All of the homes are of good design and appear to be of good quality workmanship. It appears the homes within The Gardens Phase One are being well received and the neighborhoods are selling at or near the correct price points for the area. Based on the above information, it is concluded that the highest and best use for the subject property, is for the continued use, as improved.

VALUATION ANALYSIS AND CONCLUSIONS

The Sales Comparison Approach will be used to value the subject property. This approach compares similar properties that have recently sold or are in escrow. In determining the value for the subject lands, a unit of comparison needs to be addressed. For single-family detached lots, cluster residential lands and duplex and small lot lands, all are typically sold on the basis of a finished pad/lot per unit. That is, the sales price is determined by a finished pad or lot value and then the remaining costs to develop the property to a true finished condition are taken into account in the sales price. Therefore, in determining a current market value for the lands, the current condition of the lots/pads will be considered. Our search revealed several transactions similar to the subject in that they include either single-family detached lots or some detached cluster or detached condominium lots along with some attached product. At times, the detached condominium and attached transactions are typically looked at on a blended price per unit, taking into consideration the overall density of the neighborhood. Thus, we will value each of the lot-types separately.

In the case of the completed home valuations, a single new home is the unit of comparison. Our search will include all new home projects within the subject's immediate and surrounding market area to find comparable new homes for sale. In determining the value for each house, a base value will be concluded for each plan which will be considered a minimum market value as most buyers typically purchase some premiums, upgrades or options which increase the price of the home. The minimum market value also includes all concessions given by the builder including mortgage closing costs and buy-downs (which are not included in the reported sales prices), if applicable.

For the completed (over 95 percent complete) builder-owned models and production houses, the homes will be valued using the Sales Comparison Approach to conclude on a retail value for each plan, followed by a Discounted Cash Flow ("DCF") Analysis due to the single ownership. The DCF will take into account the fair market value of the completed homes (utilizing the Sales Comparison Approach), remaining development

costs (if any), the marketing and carrying costs associated with selling off the homes, a profit due to the developer of the homes, and a discount rate reflecting both the risk associated with selling off the homes along with the time value of money during the estimated absorption period. A home under construction (under 95 percent complete) will be valued as a finished lot/pad rather than attribute value to a partially complete improvement. In the case of individually owned homes, the concluded minimum market value will be used for each plan and a mass appraisal technique will be addressed. In determining the concluded base value, new home sales in the area will be reviewed and compared with sales of the subject completed homes using standard methodology and statistical testing. All of the value conclusions will take into consideration improvements and/or benefits to be funded by the Fontana CFD No. 112 Special Tax Bonds and their lien. A summary of the final value conclusions will be reported at the end of this valuation section.

Market Data Discussion – Residential Lots

Within The Gardens Phase One there are 526 lots/pads in a generally physically finished condition. The lands include 64 single-family detached lots with a minimum lot size of 6,000 square feet (Azalea); 88 single-family detached lots with a minimum lot size of 4,700 square feet (Wildrose); 97 lots with a minimum lot size of 4,000 square feet (Silverberry) and 109 lots with a minimum lot size of 2,700 square feet (Acacia). In addition, there are two condominium maps, one with 99 lots approximately 2,000 square feet in size for detached homes (Blue Sage) and 69 triplex homes (Dayflower). Within Azalea there are three remaining lots owned by Lennar and no homes under construction. The three lots are the final build-out surrounding the model complex. Within Wildrose there are no remaining finished lots and eight homes under construction owned by Lennar. A home under construction (under 95 percent complete) will be valued as a finished lot rather than attribute value to a partially complete improvement, thus we will value eight lots within Wildrose. For Silverberry there are no remaining finished lots however six homes under construction owned by AG EHC II and seven homes U/C owned by Lennar. Therefore, we will value six lots under the AG EHC II ownership and seven lots owned by Lennar within Silverberry. Within Acacia there are 27 homes under

construction (20 owned by Lennar and seven owned by AG EHC II) and 12 remaining lots (three owned by Lennar and nine owned by AG EHC II). Therefore, we will value 23 lots under Lennar ownership and 16 lots under the AG EHC II ownership within Silverberry. Within Blue Star there are 21 homes under construction owned by Lennar and eight remaining pads owned by AG EHC II which will be valued as finished lots/pads. Finally, within Dayflower there are 13 homes under construction owned by Lennar and no remaining pads, thus 13 pads will be valued.

We have searched the area and found the 11 transactions summarized in the Addenda to be most comparable to the subject property. The sales are reported both on a purchase price basis and on a finished lot basis. The actual purchase price is typically less, depending on the condition of the land (lots or pads) at the time the property was acquired. Although some sales refer to “finished lots/pads,” these are typically physically finished lots/pads with some fees remaining to be paid to be considered true finished lots/pads. Below are the details of each of the comparable land sales along with a discussion of each transaction in relationship to the subject property.

Land Sale No. 1 pertains to the most recent closed transaction in our search. The site is located at the southwest corner of Eucalyptus Avenue and Haven Avenue in Ontario Ranch about 15 miles southwest of the subject site. KB Home purchased 351 units from Richland Communities in June 2024 for \$85,000,000 or \$242,165 per unit based on a reported blended finished lot price of \$380,000. The 351 proposed units are located on about 46 acres, however there is a high-wire Edison easement bisecting the site. The overall density of the site equates to about eight dwelling units per acre. There are three proposed products on the site which include 4,500 square foot conventional lots, detached cluster units and attached townhomes. Per brokers familiar with the transaction, the townhomes estimated finished unit price is \$280,000, the cluster product finished pad price is \$410,000 while the 4,500 square foot lots are estimated at a finished lot of \$560,000. This is higher than previous sales in the area. Ontario Ranch is considered to be superior due to being located closer to Orange, Los Angeles and Riverside County

employment centers for commuters. However, the high wire easement is considered to be inferior to the subject.

Land Sale No. 2 is located in Jurupa Valley along the north side of the 60 Freeway at Pacific Avenue about eleven miles south of the subject property. Richmond American Homes purchased the site in April 2024 for \$9,351,000 or \$194,813 per lot based on an estimated finished lot price of \$308,000. The lands were purchased in a rough graded condition with approved mapping in place. The site is known as Sequanota Heights and is proposed for 48 homes on 6,300 square foot minimum sized lots. In comparison to the subject property this site is considered to be inferior to the subject 6,000 square foot detached lots as these do not have the amenities associated with The Gardens and due to the freeway frontage of this site.

Land Sale No. 3 refers to the most recent closing our search located within the City of Fontana. KB Home purchased the site proposed for 255 units in April 2024. KB Home purchased the property from New Bridge Homes for \$31,100,000 or \$121,961 per unit based on a blended finished lot price of \$252,000. This site is located about nine miles south of the subject at Cherry and Live Oak Avenues. The lands were sold in an unimproved condition with an approved tentative tract map. The proposed product is for detached 8-pack cluster homes and detached alley-load small lots. The overall density for this site is estimated at eight dwelling units per acre. In comparison to the subject property, this transaction is considered inferior due to the density when compared to the single-family detached lots and similar to the triplex and condominium small lot product. This site is considered inferior when compared to the significant amenities located in The Gardens.

Land Sale No. 4 refers to the January 2024 closing of a site located in North Fontana, immediately adjacent to the subject Blue Sage within The Gardens Phase Two along both sides of Garden Street along the east side of Cypress Avenue. The site had tentative mapping and grading plans approved for 174 units on 18.66 acres. Richmond American Homes purchased the site in January 2024 from Lewis for \$28,789,500 or \$165,457 per

lot based on a reported finished lot estimate of \$279,465. The product will be 4-pack and 6-pack alley loaded detached condominiums. The overall density of this project equates to 9.32 units per acre. There are two small parks in the site plan to serve the community and they will be within The Gardens Phase Two so can access the pools, social club and gathering spots. In comparison to the subject property this transaction is considered to be similar to the higher density product (Dayflower, Blue Sage and Acacia).

Land Sale No. 5 is located about 15 miles southwest of the subject, in Ontario Ranch, near Land Sale No. 1. Lennar purchased the land proposed for 236 units from Lewis Companies in December 2023 for \$35,177,500 or \$149,057 based on an estimated finished lot blended price of \$250,000. The property had been mass graded at time of sale and the final map was in process. The products are both two- and three-story cluster products with an overall density of 16 dwelling units per acre. The reported finished lot price is a blended price for the two products. In comparison to the subject this location is considered to be slightly superior (closer into employment for commuters), however inferior in density to all of the subject neighborhoods.

Land Sale No. 6 pertains to the purchase of an infill site located along Route 66 in Rancho Cucamonga about eleven miles southwest of the subject site. Lennar purchased the property in December 2023 for \$8,700,000 or for \$49,714 per unit. The site closed in an unimproved condition with approved mapping for 175 townhomes with an overall density of 12 dwelling units per acre. Per brokers familiar with the transaction, the finished pad was estimated at \$250,000. This property is adjacent to the south of the Red Hill Country Club and golf course and surrounds the historic Sycamore Inn, a famous restaurant along Route 66 that dates back to the 1800s. In comparison to the subject site, this property is considered to be slightly superior due to the Rancho Cucamonga address and similar in density to the subject Dayflower, Blue Sage and Acacia, however inferior in amenities due to the size of the project.

Land Sale No. 7 is in regard to the Pulte Homes' purchase of 333 proposed units along the west side of Hamner, north of Eucalyptus Avenue within the Esperanza Specific Plan

about ten miles southwest of the subject in the master planned community of Ontario Ranch. The overall density on the site is 11 dwelling units per acre. Pulte purchased the site in December 2023 for \$72,527,499 or \$217,800 per unit. Per the approved site plan there are 156 attached townhomes, 82 small, detached cluster lots and 95 large, detached cluster lots. Per brokers familiar with the transaction, the reported blended finished lot/unit price is \$315,000 which is broken down as \$258,000 for the attached townhomes, \$315,000 for the small cluster lots and \$401,000 for the large cluster lots. The site is also known as Planning Area 3 and 4 of the Esperanza Specific Plan. In comparison to the subject property this transaction is considered similar in overall density to Dayflower, Blue Sage and Acacia, however inferior of number of lots (333 would be considered a bulk sale) and superior in location with Ontario Ranch closer into the employment centers of Los Angeles, Orange and Riverside.

Land Sale No. 8 refers to the Lennar purchase of 23 acres along the west side of Archibald Avenue, south of Riverside Drive within the Countryside Specific Plan in Ontario Ranch, about 14 miles southwest of the subject property. The site is mapped for 265 units which creates an overall density of about 12 dwelling units per acre. The proposed product includes townhomes, cluster product and small detached lots. Lennar purchased the site in October 2023 for \$49,559,000 or \$187,015 per unit based on an estimated blended finished lot price of \$297,000. Per brokers familiar with the transaction the finished lot values at time of purchase were estimated at \$260,000 for the townhomes, \$315,000 for the cluster detached lots and \$365,000 for the detached small conventional lots. In comparison to the subject site this transaction is considered to be slightly superior in location.

Land Sale No. 9 pertains to the sale of a residential site located in Fontana at Lytle Creek Road and Sierra Lakes Parkway, about two miles south of the subject site, fronting the northern side of the I-210 Freeway. D.R. Horton purchased the property in September 2023 for \$9,850,000 or for \$68,881 per unit based on an estimated finished lot blended price of \$220,000. The site is mapped for 143 units which includes 96 attached units and 47 detached cluster units. Final engineering was underway at time of sale. This property

rears to I-210 and has an overall density of 13.9 dwelling units per acre. When compared to the subject property, this site is considered to be inferior in density when compared to the single-family detached lots and inferior due to the proximity of the I-210 Freeway. This site is also inferior in amenities.

Land Sale No. 10 refers to D.R. Horton's land purchase in Fontana about 2.5 miles south of the subject property. This site is located along the east side of Citrus Avenue, south of Highland Avenue, and is mapped for 68 attached townhome units. The overall density of the site allows for 15.7 dwelling units per acre which is higher than even the subject's high-density projects (highest at 13.6 dwelling units per acre). D.R. Horton purchased the property from 6997 Citrus LLC in August 2023 for \$6,300,000 or \$92,647 per unit based on an estimated finished pad price of \$219,000. The site was sold in an unimproved condition with tentative mapping in place. In comparison to the subject property this site is considered to be inferior in density and amenities.

Land Sale No. 11 is in regard to the purchase of another residential site by D. R. Horton. This property is located at the northwest corner of Citrus and Summit Avenues, about 1.2 miles south of the subject property. The site has approved mapping for 84 detached cluster units and sold for \$9,850,000 or \$117,262 per unit based on an estimated finished lot value of \$272,000. The overall density of this property is 9.4 dwelling units per acre. D.R. Horton purchased the site in July 2023 from AKY LLC. In comparison to the subject property, this sale is considered to be inferior in amenities and similar in density to Dayflower, Blue Sage and Acacia.

The chart below summarizes the considerations used in adjusting the market data to the subject property.

| Data No. | Location | Date of Sale | Lot Size / Density | Finished Lot Price | Comparison to Subject |
|----------|---------------|--------------|--------------------|--|--|
| 1 | Ontario Ranch | 6 / 24 | 8 du/ac | \$380,000 (\$560,000/ \$410,000/ \$280,000) | Superior – Location, Inferior – Highwire Easement |
| | Jurupa Valley | 4 / 24 | 6,300 sf | \$308,000 | Inferior – Amenities & Fwy Frontage |

| | | | | | |
|----|------------------|---------|----------|--|---|
| 2 | | | | | |
| 3 | North Fontana | 4 / 24 | 8 du/ac | \$252,000 | Inferior – Amenities |
| 4 | North Fontana | 1 / 24 | 10 du/ac | \$279,465 | Similar |
| 5 | Ontario Ranch | 12 / 23 | 16 du/ac | \$250,000 | Superior – Location Inferior – Density |
| 6 | Rancho Cucamonga | 12 / 23 | 12 du/ac | \$250,000 | Superior – Location |
| 7 | Ontario Ranch | 12 / 23 | 11 du/ac | \$315,000 (401,000/ \$315,000 \$258,000) | Superior – Location Inferior – No. of Lots |
| 8 | Ontario Ranch | 10 / 23 | 12 du/ac | \$297,000 (\$365,000/ \$315,000/ \$260,000) | Superior – Location Inferior – Amenities |
| 9 | North Fontana | 10 / 23 | 14 du/ac | \$220,000 | Inferior – Location |
| 10 | North Fontana | 8 / 23 | 16 du/ac | \$219,000 | Inferior – Amenities |
| 11 | North Fontana | 7 / 23 | 9 du/ac | \$272,000 | Inferior- Amenities |

All 11 of the market data transactions have closed within the past year and the data is considered to be good. The above reported finished lot values depict a wide range of lot/pad price from \$219,000 to \$550,000 with the majority of the differences being due to lot size and/or density on each site and location. We will review the most relevant sales for each product type below.

Dayflower encompasses 69 triplex pads and contains 5.043 acres per the tract map suggesting a density of 13.68 dwelling units per acre. For this site the best comparables are Data Nos. 1, 6, 7 and 8 (attached product) and 5, 9 and 10 which have densities most similar to the subject. These Data have a finished lot range from \$219,000 to \$280,000 per finished pad with generally the lower prices (Data Nos. 9 and 10) for the higher densities. The subject is within a gated community with significant amenities including a pool, basketball courts, pickle ball courts and social club. The most recent North Fontana sales (Data Nos. 3 and 4) each have slightly lower overall densities and sold for \$252,000 and \$279,465 per unit. We have concluded that the Dayflower pads have a finished pad value of \$235,000.

Blue Sage includes 99 condominium pads on 8.137 acres per the tract map which equates to an overall density of 12.16 dwelling units per acre. The best comparable are Data Nos. 1, 3, 4, 7 and 8 (for cluster) and Data No. 11 (for cluster) which have a range from \$252,000 to \$315,000 per finished pad. The most recent North Fontana sales (Data Nos. 3 and 4) each have slightly lower overall densities and sold for \$252,000 and \$279,465 per unit. Blue Sage has an overall density of 12 dwelling units per acre which is higher than a lot of the Cluster product. We have concluded that the Blue Sage pads have a finished pad value of \$270,000.

Acacia includes 109 single family detached lots with a minimum lot size of 2,700 square feet with an overall density of 8.9 dwelling units per acre. For this site the best comparables are Data Nos. 1, 7 and 8, for the detached cluster and Data Nos. 3, 4 and 11 which have densities most similar to the subject. These Data have a finished lot range from \$252,000 to \$410,000 per finished pad with the best comparable being Data No. 4, which closed for \$279,465, however this transaction closed 10 months ago. The subject is within a gated community with significant amenities including a pool, basketball courts, pickle ball courts and social club. We have concluded that the Acacia lots have a finished lot value of \$290,000.

Silverberry includes 97 single family detached lots with a minimum lot size of 4,000 square feet. For this site the best comparables are Data Nos. 1, 7 and 8, for the large, detached cluster and Data Nos. 2 which is for larger detached lots, however in an inferior location. These data have a finished lot range from \$308,000 to \$560,000 per finished pad however Data No. 1 at the high end is in Ontario, a superior location. The subject is within a gated community with significant amenities including a pool, basketball courts, pickle ball courts and social club. We have concluded that the Silverberry lots have a finished lot value of \$335,000.

Wildrose includes 88 single family detached lots with a minimum lot size of 4,700 square feet. For this site the best comparables are Data Nos. 1, 7 and 8, for the large, detached

cluster and Data Nos. 2 which is for larger detached lots, however in an inferior location. These data have a finished lot range from \$308,000 to \$560,000 per finished pad however Data No. 1 at the high end is in Ontario, a superior location. The subject is within a gated community with significant amenities including a pool, basketball courts, pickle ball courts and social club. We have concluded that the Wildrose lots have a finished lot value of \$350,000.

Azalea includes 64 single family detached lots with a minimum lot size of 6,000 square feet. For this site the best comparables are Data Nos. 1, 7 and 8, for the large, detached cluster and Data Nos. 2 which is for larger detached lots, however in an inferior location. These data have a finished lot range from \$308,000 to \$560,000 per finished pad however Data No. 1 at the high end is in Ontario, a superior location. The remaining Market Data have a range from \$308,000 to \$401,000 per finished lot. The subject is within a gated community with significant amenities including a pool, basketball courts, pickle ball courts and social club. We have concluded that the Wildrose lots have a finished lot value of \$390,000.

The lots are not yet in a true finished lot condition. As discussed under Property Description section, there are remaining costs to get to a true finished lot which equate to \$37,671.60 per lot. The costs were not available for each community; thus, we have averaged the costs over all of the builder-owned property. The land values per neighborhood are calculated as follows.

Dayflower

The concluded value for the Dayflower pads in a finished condition is \$235,000. There are 13 pads owned by Lennar (all under construction). The value is calculated as follows:

Lennar Ownership

| | |
|-------------------------------|----------------------------|
| 13 pads x \$235,000 | \$ 3,055,000 |
| Less: \$37,671.60 x 13 | (489,731) |
| As is Value 13 Dayflower Pads | <u>\$ 2,565,269</u> |

Blue Sage

The concluded value for the Blue Sage pads in a finished condition is \$270,000. There are 21 lots owned by Lennar (all under construction) and eight pads owned by AG EHC II. The value is calculated as follows:

Lennar Ownership

| | |
|-------------------------------|----------------------------|
| 21 Pads x \$270,000 | \$ 5,670,000 |
| Less: \$37,671.60 x 21 | (791,104) |
| As is Value 21 Blue Sage Pads | <u>\$ 4,878,896</u> |

AG EHC II Ownership

| | |
|------------------------------|----------------------------|
| 8 Pads x \$270,000 | \$ 2,160,000 |
| Less: \$37,671.60 x 8 | (301,373) |
| As is Value 8 Blue Sage Pads | <u>\$ 1,858,627</u> |

Acacia

The concluded value for the Acacia small lots in a finished condition is \$290,000. There are 23 lots owned by Lennar (20 under construction) and 16 lots owned by AG EHC II (seven under construction). The value is calculated as follows:

Lennar Ownership

| | |
|----------------------------|----------------------------|
| 23 Lots x \$290,000 | \$ 6,670,000 |
| Less: \$37,671.60 x 23 | (866,447) |
| As is Value 23 Acacia Lots | <u>\$ 5,803,553</u> |

AG EHC II Ownership

| | |
|----------------------------|----------------------------|
| 16 Lots x \$290,000 | \$ 4,640,000 |
| Less: \$37,671.60 x 16 | (602,746) |
| As is Value 16 Acacia Lots | <u>\$ 4,037,254</u> |

Silverberry

The concluded value for the Acacia lots in a finished condition is \$335,000. There are seven lots owned by Lennar (all under construction) and six lots owned by AG EHC II (all under construction). The value is calculated as follows:

Lennar Ownership

| | |
|--------------------------------|----------------------------|
| 7 Lots x \$335,000 | \$ 2,345,000 |
| Less: \$37,671.60 x 7 | (263,701) |
| As is Value 7 Silverberry Lots | <u>\$ 2,081,299</u> |

AG EHC II Ownership

| | |
|--------------------------------|----------------------------|
| 6 Lots x \$335,000 | \$ 2,010,000 |
| Less: \$37,671.60 x 6 | (226,027) |
| As is Value 6 Silverberry Lots | <u>\$ 1,783,970</u> |

Wildrose

The concluded value for the Wildrose lots in a finished condition is \$350,000. There are no lots owned by AG EHC II and eight lots owned by Lennar (all under construction). The value is calculated as follows:

Lennar Ownership

| | |
|-----------------------------|----------------------------|
| 8 Lots x \$350,000 | \$ 2,800,000 |
| Less: \$37,671.60 x 8 | (301,373) |
| As is Value 8 Wildrose Lots | <u>\$ 2,498,627</u> |

Azalea

The concluded value for the Azalea lots in a finished condition is \$390,000. There are no lots owned by AG EHC II and three lots owned by Lennar (final build-out around model complex). The value is calculated as follows:

Lennar Ownership

| | |
|---------------------------|----------------------------|
| 3 Lots x \$390,000 | \$ 1,170,000 |
| Less: \$37,671.60 x 3 | (113,015) |
| As is Value 3 Azalea Lots | <u>\$ 1,056,985</u> |

Land Valuation Conclusions

There are currently 83 homes under construction and 22 remaining lots/pad with 75 lots/pads owned by Lennar and 30 lots/pads owned by AG EHC II. The homes under construction (under 95 percent complete) will be valued as a finished lot rather than attribute value to a partially complete improvement. The final land values are calculated as follows.

Lennar Ownership:

| | |
|----------------------------------|----------------------------|
| Dayflower (13 pads) | \$ 2,565,269 |
| Blue Sage (21 pads) | 4,878,896 |
| Acacia (23 lots) | 5,803,553 |
| Silverberry (7 lots) | 2,081,299 |
| Wildrose (8 lots) | 2,498,627 |
| Azalea (3 lots) | <u>1,056,985</u> |
| Lennar Land Value (75 lots/pads) | <u>\$18,884,629</u> |

AG EHC II Ownership:

| | |
|------------------------------------|----------------------------|
| Dayflower (0 pads) | \$ 0 |
| Blue Sage (8 pads) | 1,858,627 |
| Acacia (16 lots) | 4,037,254 |
| Silverberry (6 lots) | 1,783,970 |
| Wildrose (0 lots) | 0 |
| Azalea (0 lots) | <u>0</u> |
| AG EHC II Ownership (30 lots/pads) | <u>\$ 7,679,851</u> |

Retail House Valuation – The Gardens Phase One

Within The Gardens Phase One there are six neighborhoods with 366 individually owned homes, 55 homes over 95 percent complete owned by Lennar. The builder-owned homes over 95 percent complete include 41 production homes (39 in escrow) and 14 model homes.

Due to the single ownership of multiple houses (55 houses) by the builder within the subject property, a Discounted Cash Flow (“DCF”) analysis is needed in order to arrive at a bulk value for the homes. This will be further discussed below. Prior to completing a DCF, the retail value of the homes needs to be determined. For purposes of this valuation, the retail value is based on actual sales prices less concessions along with reviewing all comparable homes in the subject marketplace.

Below is a summary of the floor plans within each neighborhood followed by a valuation for each plan. A listing of the improved residential comparable properties is located in the Addenda of this report. The majority of the new home comparables are located within the City of Fontana, which currently houses a multitude of actively selling new home

communities with the exception of one neighborhood located in Ontario. Our search of the subject property and the local Multiple Listing Service (MLS) has resulted in no resales and three current resale listings within The Gardens Phase One which will be discussed below.

Dayflower

Dayflower homes include Plan 1 which is a carriage house up over three, two-car garages. The homes are built in a triplex format, however, Plans 2 and 3 are detached with their garages under Plan 1 and are not attached to the homes, thus have a detached garage.

| The Gardens Phase One by Lennar | | | | | |
|--|-------|--------------------|---------|---------------|----------------|
| Plan | Bd/Ba | Floors/ Parking | Sq. Ft. | Ind. Owned | Bldr. Owned |
| Dayflower | | | | | |
| 1 | 3 / 2 | 2 / 2 | 1,582 | 17 | 1* |
| 2 | 4 / 3 | 2 / 2 | 1,563 | 16 | 2* |
| 3 | 4 / 3 | 2 / 2 | 1,669 | 17 | 3* |
| Subtotal Dayflower | | | | 50 | 6 |

*One of each of these plans is a model home. There are an additional 13 homes under construction, and no remaining pads (not shown on the above table).

The most appropriate new home comparable data for Dayflower Plan 1 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 1 | 3 / 2 | 1 / 2 | 1,582 | -- |
| 1 | 2 | 4 / 3 | 2 / 2 | 1,563 | \$330.03 |
| 1 | 3 | 4 / 3 | 2 / 2 | 1,669 | \$333.67 |
| 2 | 1 | 3 / 2.5 | 2 / 2 | 1,651 | \$356.93 |
| 2 | 2 | 3 / 2.5 | 2 / 2 | 1,761 | \$351.10 |
| 8 | 1 | 3 / 2.5 | 2 / 2 | 1,372 | \$408.28 |
| 8 | 2 | 3 / 2.5 | 2 / 2 | 1,450 | \$398.95 |
| 8 | 3 | 4 / 2.5 | 2 / 2 | 1,661 | \$372.38 |
| 12 | 5 | 3 / 2 | 1 / 2 | 1,557 | \$380.85 |

The comparable communities are all located in Fontana with the exception of Data No. 12, which is located in Ontario proper, about five miles southwest of the subject. We have included this Data as it is the only other single story as it is a stacked flat. All are of similar quality, design, and appeal. Plan 1 within Dayflower is a carriage house single level above three attached two-car garages. There is no other carriage home product selling, thus we included a stacked flat condominium (Data No. 12), a duplex product, zero lot line, cluster

and alley-load homes which are considered similar. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$330.03 to \$408.28 with the two highest priced homes per square foot, being the smallest homes. This is typical due to the economies of scale obtained during construction of the homes. Dayflower Plan 1 has a current base asking price of \$321.68 per square foot, which is lower than the comparable ranges. This is due to the single floor up over garages. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 16 closings of Dayflower Plan 1 with sales prices ranging from \$262.03 to \$318.74 per square foot. There are three current escrows of Dayflower Plan 1 with a sales price range of \$285.24 to \$326.11. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are included in this analysis. It has been concluded that Dayflower Plan 1 has a base current market value of \$290.00 per square foot. This calculates as follows:

$$1,582 \text{ sf} \times \$290.00 = \$458,780$$

The most appropriate new home comparable data for Dayflower Plan 2 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 1 | 4 / 3 | 2 / 2 | 1,563 | -- |
| 1 | 1 | 3 / 2.5 | 1 / 2 | 1,582 | \$321.68 |
| 1 | 3 | 4 / 3 | 2 / 2 | 1,669 | \$333.67 |
| 2 | 1 | 3 / 2.5 | 2 / 2 | 1,651 | \$356.93 |
| 2 | 2 | 3 / 2.5 | 2 / 2 | 1,761 | \$351.10 |
| 8 | 2 | 3 / 2.5 | 2 / 2 | 1,450 | \$385.51 |
| 8 | 3 | 4 / 2.5 | 2 / 2 | 1,661 | \$358.21 |
| 12 | 5 | 3 / 2 | 1 / 2 | 1,557 | \$380.85 |
| 15 | 2 | 3 / 2.5 | 2 / 2 | 1,650 | \$382.16 |

The comparable communities are all located in Fontana with the exception of Data No.12, which is located in Ontario proper, about five miles southwest of the subject. All are of similar quality, design, and appeal. Plan 2 within Dayflower is a detached home with a detached garage that supports the Plan 1 carriage house (single level above three two-car garages). We have included duplex product, zero lot line, cluster and alley-load homes which are considered similar. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$321.68 to \$385.51 with the highest priced homes per square foot, being the smallest home. This is typical due to the economies of scale obtained during construction of the homes. Dayflower Plan 2 has a current base asking price of \$339.03 per square foot. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 17 closings of Dayflower Plan 2 with sales prices ranging from \$286.04 to \$336.90 per square foot. There are five current escrows of Dayflower Plan 2 with a sales price range of \$306.57 to \$332.25. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are included in this analysis. It has been concluded that Dayflower Plan 2 has a base current market value of \$305.00 per square foot. This calculates as follows:

$$1,563 \text{ sf} \times \$305.00 = \$476,715$$

The most appropriate new home comparable data for Dayflower Plan 3 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 1 | 4 / 3 | 2 / 2 | 1,669 | -- |
| 1 | 1 | 3 / 2.5 | 1 / 2 | 1,582 | \$321.68 |
| 1 | 2 | 4 / 3 | 2 / 2 | 1,563 | \$339.03 |
| 2 | 1 | 3 / 2.5 | 2 / 2 | 1,651 | \$356.93 |
| 2 | 2 | 3 / 2.5 | 2 / 2 | 1,761 | \$351.10 |
| 8 | 2 | 3 / 2.5 | 2 / 2 | 1,450 | \$385.51 |
| 8 | 3 | 4 / 2.5 | 2 / 2 | 1,661 | \$358.21 |
| 12 | 5 | 3 / 2 | 1 / 2 | 1,557 | \$380.85 |
| 15 | 2 | 3 / 2.5 | 2 / 2 | 1,650 | \$382.16 |

The comparable communities are all located in Fontana with the exception of Data No.12 which is located in Ontario proper, about five miles southwest of the subject. All are of similar quality, design, and appeal. Plan 3 within Dayflower is a detached home with a detached garage that supports the Plan 1 carriage house (single level above three two-car garages). We have included duplex product, zero lot line, cluster and alley-load homes which are considered similar. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$321.68 to \$385.51 with the highest priced home per square foot, being the smallest home. This is typical due to the economies of scale obtained during construction of the homes. Dayflower Plan 3 has a current base asking price of \$333.67 per square foot. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 17 closings of Dayflower Plan 3 with sales prices ranging from \$281.39 to \$309.80 per square foot. There are seven current escrows of Dayflower Plan 3 with a sales price range of \$295.06 to \$319.54. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. It has been concluded that Dayflower Plan 3 has a base current market value of \$295.00 per square foot. This calculates as follows:

$$1,669 \text{ sf} \times \$295.00 = \$492,355$$

Blue Sage

Blue Sage homes are on condominium pads with detached homes.

| Plan | Bd/Ba | Floors/ Parking | Sq. Ft. | Ind. Owned | Bldr. Owned |
|--------------------|---------|--------------------|---------|---------------|----------------|
| Blue Sage | | | | | |
| 1 | 3 / 2.5 | 2 / 2 | 1,651 | 21 | 0 |
| 2 | 3 / 2.5 | 2 / 2 | 1,761 | 23 | 1* |
| 3 | 4 / 2.5 | 2 / 2 | 1,868 | 13 | 1* |
| 4 | 4 / 3 | 2 / 2 | 1,970 | 10 | 1* |
| Subtotal Blue Sage | | | | 67 | 3 |

*One of each of these plans is a model home. There are an additional 21 homes under construction owned by Lennar, and 8 additional pads owned by AG EHC II (not shown on the above table).

The most appropriate new home comparable data for Blue Sage Plan 1 are shown below.

| Data | Model | Rm. Ct. | Firs/Pkg. | Sq. Ft. | Price/SF |
|-------|-------|---------|-----------|---------|----------|
| Subj. | 1 | 3 / 2.5 | 2 / 2 | 1,651 | -- |
| 1 | 2 | 4 / 3 | 2 / 2 | 1,563 | \$339.03 |
| 1 | 3 | 4 / 3 | 2 / 2 | 1,669 | \$333.67 |
| 2 | 2 | 3 / 2.5 | 2 / 2 | 1,761 | \$351.10 |
| 2 | 3 | 4 / 2.5 | 2 / 2 | 1,868 | \$333.93 |
| 7 | 1 | 3 / 2.5 | 2 / 2 | 1,822 | \$348.76 |
| 14 | 1 | 3 / 2.5 | 2 / 2 | 2,006 | \$338.53 |
| 15 | 2 | 3 / 2.5 | 2 / 2 | 1,650 | \$382.16 |
| 15 | 3 | 3 / 2.5 | 2 / 2 | 1,710 | \$383.62 |

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$333.93 to \$383.62 per square foot. Blue Sage Plan 1 has a current base asking price of \$356.93 per square foot, which is within the range of the comparables. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 21 closings of Blue Sage 1 with sales prices ranging from \$300.04 to \$351.59 per square foot. There is one current escrow of Blue Sage Plan 1 with a reported sales price of \$332.39 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder,

while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. It has been concluded that Blue Sage Plan 1 has a base current market value of \$320.00 per square foot. This calculates as follows:

$$1,651 \text{ sf} \times \$320.00 = \$528,320$$

The most appropriate new home comparable data for Blue Sage Plan 2 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 2 | 3 / 2.5 | 2 / 2 | 1,761 | -- |
| 1 | 3 | 4 / 3 | 2 / 2 | 1,669 | \$333.67 |
| 2 | 1 | 3 / 2.5 | 2 / 2 | 1,651 | \$356.93 |
| 2 | 3 | 4 / 2.5 | 2 / 2 | 1,868 | \$333.93 |
| 7 | 1 | 3 / 2.5 | 2 / 2 | 1,822 | \$348.76 |
| 14 | 1 | 3 / 2.5 | 2 / 2 | 2,006 | \$338.53 |
| 15 | 3 | 3 / 2.5 | 2 / 2 | 1,710 | \$383.62 |
| 15 | 4 | 4 / 3 | 2 / 2 | 1,950 | \$346.74 |

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$333.67 to \$383.62 per square foot. Blue Sage Plan 2 has a current base asking price of \$351.10 per square foot, which is within the range of the comparables. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 23 closings of Blue Sage 2 with sales prices ranging from \$289.27 to \$337.07 per square foot. There are four current escrows of Blue Sage Plan 2 with a reported sales price range of \$317.50 to \$354.94 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. It has been concluded that Blue Sage Plan 2 has a base current market value of \$315.00 per

square foot. This calculates as follows:

$$1,761 \text{ sf} \times \$315.00 = \$554,715$$

The most appropriate new home comparable data for Blue Sage Plan 3 are shown below.

| Data | Model | Rm. Ct. | Firs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 3 | 4 / 2.5 | 2 / 2 | 1,868 | -- |
| 1 | 3 | 4 / 3 | 2 / 2 | 1,669 | \$333.67 |
| 2 | 2 | 3 / 2.5 | 2 / 2 | 1,761 | \$351.10 |
| 2 | 4 | 4 / 3 | 2 / 2 | 1,970 | \$325.88 |
| 7 | 1 | 3 / 2.5 | 2 / 2 | 1,822 | \$348.76 |
| 7 | 2 | 3 / 2.5 | 2 / 2 | 1,932 | \$333.81 |
| 14 | 1 | 3 / 2.5 | 2 / 2 | 2,006 | \$338.53 |
| 15 | 3 | 3 / 2.5 | 2 / 2 | 1,710 | \$383.62 |
| 15 | 4 | 4 / 3 | 2 / 2 | 1,950 | \$346.74 |

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$333.67 to \$383.62 per square foot. Blue Sage Plan 3 has a current base asking price of \$333.93 per square foot, which is at the low-end of the comparables. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 13 closings of Blue Sage 3 with sales prices ranging from \$283.09 to \$321.94 per square foot. There is one current escrow of Blue Sage Plan 3 with a reported sales price of \$331.95 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. It has been concluded that Blue Sage Plan 3 has a base current market value of \$310.00 per square foot. This calculates as follows:

$$1,868 \text{ sf} \times \$310.00 = \$579,080$$

The most appropriate new home comparable data for Blue Sage Plan 4 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 4 | 4 / 3 | 2 / 2 | 1,970 | -- |
| 1 | 3 | 4 / 3 | 2 / 2 | 1,669 | \$333.67 |
| 2 | 2 | 3 / 2.5 | 2 / 2 | 1,761 | \$351.10 |
| 2 | 3 | 4 / 2.5 | 2 / 2 | 1,868 | \$333.93 |
| 3 | 1 | 3 / 2.5 | 2 / 2 | 2,213 | \$292.84 |
| 7 | 2 | 3 / 2.5 | 2 / 2 | 1,932 | \$333.81 |
| 14 | 1 | 3 / 2.5 | 2 / 2 | 2,006 | \$338.53 |
| 15 | 4 | 4 / 3 | 2 / 2 | 1,950 | \$346.74 |

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$292.84 to \$351.10 per square foot with the lowest price per square foot for the largest sized home. This is typical due to the economies of scale obtained during construction. Blue Sage Plan 4 has a current base asking price of \$325.88 per square foot. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 10 closings of Blue Sage Plan 4 with sales prices ranging from \$268.39 to \$325.38 per square foot. There are five current escrows of Blue Sage Plan 4 with a reported sales price range of \$301.16 to \$314.59 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. It has been concluded that Blue Sage Plan 4 has a base current market value of \$300.00 per square foot. This calculates as follows:

$$1,970 \text{ sf} \times \$300.00 = \$591,000$$

Acacia

Acacia homes are all detached on minimum 2,700 square foot lots.

| Plan | Bd/Ba | Floors/ Parking | Sq. Ft. | Ind. Owned | Bldr. Owned |
|-----------------|---------|--------------------|---------|---------------|----------------|
| Acacia | | | | | |
| 1 | 3 / 2.5 | 2 / 2 | 2,213 | 20 | 2 |
| 2 | 3 / 2.5 | 2 / 2 | 2,358 | 19 | 4* |
| 3 | 4 / 2.5 | 2 / 2 | 2,472 | 21 | 4* |
| Subtotal Acacia | | | | <u>60</u> | <u>10</u> |

*One of each of these plans is a model home. There are an additional 28 homes under construction (19 owned by Lennar and 9 owned by AG EHC II), and 11 additional lots (two owned by Lennar and nine owned by AG EHC II) not shown on the above table.

The most appropriate new home comparable data for Acacia Plan 1 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------|-------|---------|-----------|---------|----------|
| Subj. | 1 | 3 / 2.5 | 2 / 2 | 2,213 | -- |
| 2 | 4 | 4 / 3 | 2 / 2 | 1,970 | \$325.88 |
| 3 | 2 | 3 / 2.5 | 2 / 2 | 2,358 | \$289.25 |
| 7 | 3 | 3 / 2.5 | 2 / 2 | 2,207 | \$306.75 |
| 9 | 1 | 3 / 2.5 | 2 / 2 | 2,099 | \$322.05 |
| 13 | 1 | 3 / 2.5 | 2 / 2 | 2,006 | \$338.53 |
| 14 | 3 | 4 / 3 | 2 / 2 | 2,065 | \$316.22 |
| 15 | 4 | 4 / 3 | 2 / 2 | 1,950 | \$346.74 |

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$289.25 to \$346.74 per square foot with the lowest price per square foot for the largest sized home. This is typical due to the economies of scale obtained during construction. Acacia Plan 1 has a current base asking price of \$292.84 per square foot, at the low end of the range. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 20 closings of Acacia Plan 1 with sales prices ranging from \$252.34 to \$280.28 per square foot. There are three current escrows of Acacia Plan 1 with a reported sales price range of \$268.70 to \$291.03 per square foot. It should be

noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. It has been concluded that Acacia Plan 1 has a base current market value of \$275.00 per square foot. This calculates as follows:

$$2,213 \text{ sf} \times \$275.00 = \$608,575$$

The most appropriate new home comparable data for Acacia Plan 2 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 2 | 3 / 2.5 | 2 / 2 | 2,358 | -- |
| 2 | 4 | 4 / 3 | 2 / 2 | 1,970 | \$325.88 |
| 3 | 1 | 3 / 2.5 | 2 / 2 | 2,213 | \$292.84 |
| 3 | 3 | 4 / 2.5 | 2 / 2 | 2,472 | \$283.69 |
| 4 | 1 | 4 / 3 | 2 / 2 | 2,449 | \$303.35 |
| 7 | 3 | 3 / 2.5 | 2 / 2 | 2,207 | \$306.75 |
| 9 | 3 | 4 / 3 | 2 / 2 | 2,311 | \$314.58 |
| 9 | 4 | 4 / 3 | 2 / 2 | 2,552 | \$289.96 |
| 13 | 2 | 4 / 3 | 2 / 2 | 2,303 | \$318.18 |

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$283.69 to \$325.88 per square foot. Acacia Plan 2 has a current base asking price of \$289.25 per square foot, within the comparable's range. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 19 closings of Acacia Plan 2 with sales prices ranging from \$242.35 to \$278.53 per square foot. There are seven current escrows of Acacia Plan 2 with a reported sales price range of \$259.70 to \$288.65 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the

home, however, are a cost of selling the home and are considered in this analysis. It has been concluded that Acacia Plan 2 has a base current market value of \$265.00 per square foot. This calculates as follows:

$$2,358 \text{ sf} \times \$265.00 = \$624,870$$

The most appropriate new home comparable data for Acacia Plan 3 are shown below.

| Data | Model | Rm. Ct. | Firs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 3 | 4 / 2.5 | 2 / 2 | 2,472 | -- |
| 2 | 4 | 4 / 3 | 2 / 2 | 1,970 | \$325.88 |
| 3 | 2 | 3 / 2.5 | 2 / 2 | 2,358 | \$289.25 |
| 4 | 1 | 4 / 3 | 2 / 2 | 2,449 | \$303.35 |
| 4 | 2 | 4 / 3 | 2 / 2 | 2,666 | \$293.40 |
| 7 | 3 | 3 / 2.5 | 2 / 2 | 2,207 | \$306.75 |
| 9 | 4 | 4 / 3 | 2 / 2 | 2,552 | \$289.96 |
| 10 | 1 | 4 / 3.5 | 2 / 2 | 2,747 | \$299.96 |
| 13 | 2 | 4 / 3 | 2 / 2 | 2,303 | \$318.18 |
| 13 | 3 | 5 / 4 | 2 / 2 | 2,777 | \$283.62 |

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$283.62 to \$325.88 per square foot with the lowest price per square foot being for the largest sized home. This is typical due to the economies of scale obtained during construction. Acacia Plan 3 has a current base asking price of \$283.69 per square foot, at the low end of comparable's range. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 21 closings of Acacia Plan 3 with sales prices ranging from \$241.15 to \$277.98 per square foot. There are eight current escrows of Acacia Plan 3 with a reported sales price range of \$260.74 to \$283.29 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. It has been concluded that Acacia Plan 2 has a base

current market value of \$260.00 per square foot. This calculates as follows:

$$2,472 \text{ sf} \times \$260.00 = \$642,720$$

Silverberry

Silverberry homes are all detached on minimum 4,000 square foot lots.

| Plan | Bd/Ba | Floors/ Parking | Sq. Ft. | Ind. Owned | Bldr. Owned |
|----------------------|-------|--------------------|---------|---------------|----------------|
| Silverberry | | | | | |
| 1 | 4 / 3 | 2 / 2 | 2,449 | 18 | 4 |
| 2 | 4 / 3 | 2 / 2 | 2,666 | 27 | 4* |
| 3 | 4 / 3 | 2 / 2 | 2,877 | 26 | 5* |
| Subtotal Silverberry | | | | 71 | 13 |

*One of each of these plans is a model home. There are an additional 13 homes under construction (7 owned by Lennar and 6 owned by AG EHC II) not shown on the above table.

The most appropriate new home comparable data for Silverberry Plan 1 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------|-------|---------|-----------|---------|----------|
| Subj. | 1 | 4 / 3 | 2 / 2 | 2,449 | -- |
| 2 | 4 | 4 / 3 | 2 / 2 | 1,970 | \$325.88 |
| 3 | 2 | 3 / 2.5 | 2 / 2 | 2,358 | \$289.25 |
| 3 | 3 | 4 / 2.5 | 2 / 2 | 2,472 | \$283.69 |
| 4 | 2 | 4 / 3 | 2 / 2 | 2,666 | \$293.40 |
| 7 | 3 | 3 / 2.5 | 2 / 2 | 2,207 | \$306.75 |
| 9 | 4 | 4 / 3 | 2 / 2 | 2,552 | \$289.96 |
| 10 | 1 | 4 / 3.5 | 2 / 2 | 2,747 | \$299.96 |
| 13 | 2 | 4 / 3 | 2 / 2 | 2,303 | \$318.18 |
| 13 | 3 | 5 / 4 | 2 / 2 | 2,777 | \$283.62 |

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$283.62 to \$325.88 per square foot with the lowest price per square foot being for the largest sized home. This is typical due to the economies of scale obtained during construction. Silverberry Plan 1 has a current base asking price of \$303.35 per square foot, within the comparable's range. It should be noted

that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 18 closings of Silverberry Plan 1 with sales prices ranging from \$262.46 to \$292.42 per square foot. There are five current escrows of Silverberry Plan 1 with a reported sales price range of \$291.38 to \$295.51 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. It has been concluded that Silverberry Plan 1 has a base current market value of \$285.00 per square foot. This calculates as follows:

$$2,449 \text{ sf} \times \$285.00 = \$697,965$$

The most appropriate new home comparable data for Silverberry Plan 2 are shown below.

| Data | Model | Rm. Ct. | Firs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 2 | 4 / 3 | 2 / 2 | 2,666 | -- |
| 2 | 4 | 4 / 3 | 2 / 2 | 1,970 | \$325.88 |
| 3 | 3 | 4 / 2.5 | 2 / 2 | 2,472 | \$283.69 |
| 4 | 1 | 4 / 3 | 2 / 2 | 2,449 | \$303.35 |
| 4 | 3 | 4 / 3 | 2 / 2 | 2,877 | \$282.87 |
| 5 | 2 | 5 / 3 | 2 / 2 | 2,985 | \$280.90 |
| 9 | 4 | 4 / 3 | 2 / 2 | 2,552 | \$289.96 |
| 10 | 1 | 4 / 3.5 | 2 / 2 | 2,747 | \$299.96 |
| 13 | 2 | 4 / 3 | 2 / 2 | 2,303 | \$318.18 |
| 13 | 3 | 5 / 4 | 2 / 2 | 2,777 | \$283.62 |

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$280.90 to \$325.88 per square foot with the lowest price per square foot being for the largest sized home. This is typical due to the economies of scale obtained during construction. Silverberry Plan 2 has a current base asking price of \$293.40 per square foot, within the comparable's range. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate

buy-downs or closing cost assistance). There have been 27 closings of Silverberry Plan 2 with sales prices ranging from \$239.35 to \$281.95 per square foot. There are six current escrows of Silverberry Plan 2 with a reported sales price range of \$279.04 to \$293.89 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. It has been concluded that Silverberry Plan 2 has a base current market value of \$270.00 per square foot. This calculates as follows:

$$2,666 \text{ sf} \times \$270.00 = \$719,820$$

The most appropriate new home comparable data for Silverberry Plan 3 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 3 | 4 / 3 | 2 / 2 | 2,877 | -- |
| 3 | 3 | 4 / 2.5 | 2 / 2 | 2,472 | \$283.69 |
| 4 | 2 | 4 / 3 | 2 / 2 | 2,666 | \$293.40 |
| 5 | 2 | 5 / 3 | 2 / 2 | 2,985 | \$280.90 |
| 5 | 3 | 4 / 3 | 2 / 2 | 3,105 | \$263.87 |
| 9 | 4 | 4 / 3 | 2 / 2 | 2,552 | \$289.96 |
| 10 | 1 | 4 / 3.5 | 2 / 2 | 2,747 | \$299.96 |
| 10 | 2 | 4 / 4 | 2 / 2 | 2,961 | \$287.06 |
| 13 | 2 | 4 / 3 | 2 / 2 | 2,303 | \$318.18 |
| 13 | 3 | 5 / 4 | 2 / 2 | 2,777 | \$283.62 |

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$263.87 to \$318.18 per square foot with the lowest price per square foot being for the largest sized home. This is typical due to the economies of scale obtained during construction. Silverberry Plan 3 has a current base asking price of \$282.87 per square foot, within the comparable's range. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 26 closings of Silverberry Plan 3

with sales prices ranging from \$235.55 to \$272.63 per square foot. There are seven current escrows of Silverberry Plan 3 with a reported sales price range of \$267.10 to \$281.47 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. It has been concluded that Silverberry Plan 3 has a base current market value of \$255.00 per square foot. This calculates as follows:

$$2,877 \text{ sf} \times \$255.00 = \$733,635$$

Wildrose

Wildrose homes are on single family detached lots with a minimum lot size of 4,700 square feet.

| Plan | Bd/Ba | Floors/ Parking | Sq. Ft. | Ind. Owned | Bldr. Owned |
|-------------------|-------|--------------------|---------|---------------|----------------|
| Wildrose | | | | | |
| 1 | 3 / 2 | 1 / 2 | 1,905 | 18 | 3 |
| 2 | 5 / 3 | 2 / 3 | 2,985 | 23 | 5* |
| 3 | 4 / 3 | 2 / 3 | 3,105 | 25 | 6* |
| Subtotal Wildrose | | | | 66 | 14 |

*One of each of these plans is a model home. There are an additional 8 homes under construction owned by Lennar (not shown on the above table).

The most appropriate new home comparable data for Wildrose Plan 1 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------|-------|---------|-----------|---------|----------|
| Subj. | 1 | 3 / 2 | 1 / 2 | 1,905 | -- |
| 2 | 4 | 4 / 3 | 2 / 2 | 1,970 | \$325.88 |
| 3 | 2 | 3 / 2.5 | 2 / 2 | 2,358 | \$289.25 |
| 4 | 1 | 4 / 3 | 2 / 2 | 2,449 | \$303.35 |
| 6 | 1 | 4 / 2 | 1 / 2 | 2,215 | \$334.94 |
| 9 | 1 | 3 / 2.5 | 2 / 2 | 2,099 | \$322.05 |
| 11 | 1 | 3 / 3 | 1 / 2 | 2,375 | \$374.73 |

The comparable communities are all located in Fontana. There are few single-story homes in the Fontana market at this time. Single-story homes may command a premium due to empty nesters and aging homebuyers wanting a single-story home. Data No. 11 has homes

located on minimum 10,000 square foot lots, many with views, which is significantly superior to the subject's 4,700 square foot lots. The remaining market data are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$289.25 to \$374.73 per square foot with the highest price per square foot having a significantly larger lot. Wildrose Plan 1 has a current base asking price of \$382.93 per square foot. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 18 closings of Wildrose Plan 1 with sales prices ranging from \$320.55 to \$393.94 per square foot. There are three current escrows of Wildrose Plan 1 with a reported sales price range of \$343.57 to \$351.12 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. In addition, we have found one Wildrose Plan 1 home that is currently listed for resale. The asking price is \$724,900 which equates to \$380.52 per square foot. The sale is "pending" however the actual sales price is not yet available. It has been concluded that Wildrose Plan 1 has a base current market value of \$340.00 per square foot. This calculates as follows:

$$1,905 \text{ sf} \times \$340.00 = \$647,700$$

The most appropriate new home comparable data for Wildrose Plan 2 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 2 | 5 / 3 | 2 / 2 | 2,985 | -- |
| 3 | 3 | 4 / 2.5 | 2 / 2 | 2,472 | \$283.69 |
| 4 | 3 | 4 / 3 | 2 / 2 | 2,877 | \$282.87 |
| 5 | 3 | 4 / 3 | 2 / 2 | 3,105 | \$263.87 |
| 6 | 2 | 5 / 4 | 2 / 2 | 3,251 | \$257.91 |
| 9 | 4 | 4 / 3 | 2 / 2 | 2,552 | \$289.96 |
| 10 | 2 | 4 / 4 | 2 / 2 | 2,961 | \$287.06 |
| 11 | 3 | 4 / 3.5 | 2 / 3 | 3,080 | \$289.26 |
| 13 | 3 | 5 / 4 | 2 / 2 | 2,777 | \$283.62 |

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$263.87 to \$289.96 per square foot with the lowest price per square foot being for the largest sized home. This is typical due to the economies of scale obtained during construction. Wildrose Plan 2 has a current base asking price of \$280.90 per square foot, within the comparable's range. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 23 closings of Wildrose Plan 2 with sales prices ranging from \$223.31 to \$271.43 per square foot. There are four current escrows of Wildrose Plan 2 with a reported sales price range of \$252.46 to \$258.97 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. It has been concluded that Wildrose Plan 2 has a base current market value of \$250.00 per square foot. This calculates as follows:

$$2,985 \text{ sf} \times \$250.00 = \$746,250$$

The most appropriate new home comparable data for Wildrose Plan 3 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 3 | 4 / 3 | 2 / 2 | 3,105 | -- |
| 3 | 3 | 4 / 2.5 | 2 / 2 | 2,472 | \$283.69 |
| 4 | 3 | 4 / 3 | 2 / 2 | 2,877 | \$282.87 |
| 5 | 2 | 5 / 3 | 2 / 2 | 2,985 | \$280.90 |
| 6 | 2 | 5 / 4 | 2 / 2 | 3,251 | \$257.91 |
| 6 | 3 | 4 / 3.5 | 2 / 2 | 3,339 | \$266.45 |
| 10 | 2 | 4 / 4 | 2 / 2 | 2,961 | \$287.06 |
| 10 | 3 | 5 / 4.5 | 2 / 3 | 3,079 | \$292.30 |
| 11 | 1X | 4 / 3.5 | 2 / 3 | 3,080 | \$296.43 |
| 11 | 2 | 4 / 4.5 | 2 / 3 | 3,298 | \$289.26 |
| 13 | 3 | 5 / 4 | 2 / 2 | 2,777 | \$283.62 |

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$257.91 to \$292.30 per square foot. Wildrose Plan 3 has a current base asking price of \$263.87 per square foot, within the comparable's range. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 25 closings of Wildrose Plan 3 with sales prices ranging from \$206.92 to \$259.62 per square foot. There are five current escrows of Wildrose Plan 3 with a reported sales price range of \$252.33 to \$260.36 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. In addition, our search of the local MLS has revealed one Wildrose Plan 3 that is currently listed for resale. The asking price is \$999,900 or \$322.02 per square foot. The home has been on the market for over 50 days and the asking price was recently reduced by \$50,000. It has been concluded that Wildrose Plan 3 has a base current market value of \$245.00 per square foot. This calculates as follows:

$$3,105 \text{ sf} \times \$245.00 = \$760,725$$

Azelea

Azelea consists of single-family detached homes on minimum 6,000 square foot lots.

| Plan | Bd/Ba | Floors/ Parking | Sq. Ft. | Ind. Owned | Bldr. Owned |
|-----------------|---------|--------------------|---------|---------------|----------------|
| Azelea | | | | | |
| 1 | 4 / 2 | 1 / 2 | 2,215 | 16 | 0 |
| 2 | 5 / 4 | 2 / 3 | 3,251 | 18 | 4* |
| 3 (NG) | 4 / 3.5 | 2 / 3 | 3,339 | 18 | 5* |
| Subtotal Azelea | | | | 52 | 9 |

*One of each of these plans is a model home. There are an additional three finished lots (in the model complex) owned by Lennar (not shown on the above table).

The most appropriate new home comparable data for Azalea Plan 1 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------|-------|---------|-----------|---------|----------|
| Subj. | 1 | 4 / 2 | 1 / 2 | 2,215 | -- |
| 2 | 4 | 4 / 3 | 2 / 2 | 1,970 | \$325.88 |
| 3 | 2 | 3 / 2.5 | 2 / 2 | 2,358 | \$289.25 |
| 4 | 1 | 4 / 3 | 2 / 2 | 2,449 | \$303.35 |
| 5 | 1 | 3 / 2 | 1 / 2 | 1,905 | \$382.93 |
| 9 | 1 | 3 / 2.5 | 2 / 2 | 2,099 | \$322.05 |
| 11 | 1 | 3 / 3 | 1 / 2 | 2,375 | \$374.73 |

The comparable communities are all located in Fontana. There are few single-story homes in the Fontana market at this time. Single-story homes may command a premium due to empty nesters and aging homebuyers wanting a single-story home. Data No. 11 has homes located on minimum 10,000 square foot lots, many with views, which is superior to the subject's 6,000 square foot lots. The remaining market data are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$289.25 to \$374.73 per square foot with the highest price per square foot having a significantly larger lot. Azalea Plan 1 has a current base asking price of \$334.94 per square foot. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 16 closings of Azalea Plan 1 with sales prices ranging from \$281.18 to \$324.74 per square foot. There are no current escrows of Azalea Plan 1 as the project is nearly sold out. It should be noted that the reported sales prices include upgrades,

premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. It has been concluded that Azalea Plan 1 has a base current market value of \$320.00 per square foot. This calculates as follows:

$$2,215 \text{ sf} \times \$320.00 = \$708,800$$

The most appropriate new home comparable data for Azalea Plan 2 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 2 | 5 / 4 | 2 / 2 | 3,251 | -- |
| 3 | 3 | 4 / 2.5 | 2 / 2 | 2,472 | \$283.69 |
| 4 | 3 | 4 / 3 | 2 / 2 | 2,877 | \$282.87 |
| 5 | 2 | 5 / 3 | 2 / 2 | 2,985 | \$280.90 |
| 5 | 3 | 4 / 3 | 2 / 2 | 3,105 | \$263.87 |
| 6 | 3 | 4 / 3.5 | 2 / 2 | 3,339 | \$266.45 |
| 10 | 3 | 5 / 4.5 | 2 / 3 | 3,079 | \$292.30 |
| 11 | 1X | 4 / 3.5 | 2 / 3 | 3,080 | \$296.43 |
| 11 | 2 | 5 / 4.5 | 2 / 3 | 3,298 | \$289.26 |
| 13 | 3 | 5 / 4 | 2 / 2 | 2,777 | \$283.62 |

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$257.91 to \$292.30 per square foot. Azalea Plan 2 has a current base asking price of \$257.91 per square foot, at the low-end of the comparable's range. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 18 closings of Azalea Plan 2 with sales prices ranging from \$221.62 to \$258.40 per square foot. There are three current escrows of Azalea Plan 2 with a reported sales price range of \$247.47 to \$252.10 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing

cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. It has been concluded that Azalea Plan 2 has a base current market value of \$240.00 per square foot. This calculates as follows:

$$3,251 \text{ sf} \times \$240.00 = \$780,240$$

The most appropriate new home comparable data for Azalea Plan 3 are shown below.

| Data | Model | Rm. Ct. | Flrs/Pkg. | Sq. Ft. | Price/SF |
|-------------|--------------|----------------|------------------|----------------|-----------------|
| Subj. | 3 | 4 / 3.5 | 2 / 2 | 3,339 | -- |
| 3 | 3 | 4 / 2.5 | 2 / 2 | 2,472 | \$283.69 |
| 4 | 3 | 4 / 3 | 2 / 2 | 2,877 | \$282.87 |
| 5 | 2 | 5 / 3 | 2 / 2 | 2,985 | \$280.90 |
| 5 | 3 | 4 / 3 | 2 / 2 | 3,105 | \$263.87 |
| 6 | 2 | 5 / 4 | 2 / 2 | 3,251 | \$257.91 |
| 10 | 3 | 5 / 4.5 | 2 / 3 | 3,079 | \$292.30 |
| 11 | 2 | 5 / 4.5 | 2 / 3 | 3,298 | \$289.26 |
| 13 | 3 | 5 / 4 | 2 / 2 | 2,777 | \$283.62 |

The comparable communities are all located in Fontana. All are of similar quality, design, and appeal. Adjustments were considered (when applicable) for location, school districts, lot size, master plan amenities, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The new home comparables have a base price range from \$257.91 to \$292.30 per square foot. Azalea Plan 3 has a current base asking price of \$266.45 per square foot, within the comparable's range. It should be noted that the base prices do not take into consideration the mortgage concessions (either rate buy-downs or closing cost assistance). There have been 18 closings of Azalea Plan 3 with sales prices ranging from \$229.05 to \$256.47 per square foot. There are four current escrows of Azalea Plan 3 with a reported sales price range of \$253.36 to \$266.45 per square foot. It should be noted that the reported sales prices include upgrades, premiums, and options along with all concessions given by the builder, while the concluded value relates to a base price for the plan including closing cost concessions. Closing cost concessions do not show up in the reported sales price of the home, however, are a cost of selling the home and are considered in this analysis. Our search of the local MLS revealed one current listing resale of an Azalea Plan 3 home with

the asking price of \$930,000 or \$278.53 per square foot. It has been concluded that Azalea Plan 3 has a base current market value of \$240.00 per square foot. This calculates as follows:

$$3,339 \text{ sf} \times \$240.00 = \$801,360$$

Discounted Cash Flow Analysis

Due to the single ownership of multiple houses (55 houses) by the builder within the subject property, a Discounted Cash Flow ("DCF") analysis is needed in order to arrive at a bulk value for the homes within each neighborhood. First, a retail value for each plan within Narra Hills will be concluded followed by a DCF for the builder owned homes which will take into account the absorption time to sell off the homes, the costs associated with selling off the homes and any remaining costs owed by the builder, if any. The resulting revenue will be discounted using an appropriate rate to determine the builder-owned bulk value for the builder-owned homes. The DCF builder-owned final value will be followed by a reporting of the concluded values for the individually owned homes within each neighborhood using the concluded base retail value for each plan with a separate check of the analysis utilizing a mass appraisal technique based on actual sales prices of the homes.

Builder Owned Retail Value – The Gardens Phase One

Within the subject property, there are 55 builder-owned houses over 95 percent complete, 14 of which are decorated models. Per interviews with builders, upgrades and landscape/hardscape of up to \$100,000 are installed in the model homes, however, the builders generally consider this a marketing cost and do not anticipate recovering this investment on a dollar-for-dollar basis. Based on historical information, home sizes and fixtures, actual model home sales within the subject area and the current real estate market, a consideration of a \$50,000 premium has been included with each of the model homes. As concluded above, the retail base value conclusions for the builder-owned homes within The Gardens Phase One are calculated below:

| | |
|------------------------------------|----------------------|
| Dayflower Plan 1 (1 x \$458,780) | \$ 458,780 |
| Dayflower Plan 2 (2 x \$476,715) | 953,430 |
| Dayflower Plan 3 (3 x \$492,355) | 1,477,065 |
| Blue Sage Plan 1 (0 x \$528,320) | 0 |
| Blue Sage Plan 2 (1 x \$554,715) | 554,715 |
| Blue Sage Plan 3 (1 x \$579,080) | 579,080 |
| Blue Sage Plan 4 (1 x \$591,000) | 591,000 |
| Acacia Plan 1 (2 x \$608,575) | 1,217,150 |
| Acacia Plan 2 (4 x \$624,870) | 2,499,480 |
| Acacia Plan 3 (4 x \$642,720) | 2,570,880 |
| Silverberry Plan 1 (4 x \$697,965) | 2,791,860 |
| Silverberry Plan 2 (4 x \$719,820) | 2,879,280 |
| Silverberry Plan 3 (5 x \$733,635) | 3,668,175 |
| Wildrose Plan 1 (3 x \$647,700) | 1,943,100 |
| Wildrose Plan 2 (5 x \$746,250) | 3,731,250 |
| Wildrose Plan 3 (6 x \$760,725) | 4,564,350 |
| Azalea Plan 1 (0 x \$708,800) | 0 |
| Azalea Plan 2 (4 x \$780,240) | 3,120,960 |
| Azalea Plan 3 (5 x \$801,360) | 4,006,800 |
| Model Upgrades (14 x \$50,000) | <u>700,000</u> |
| Total Retail Value | <u>\$ 38,307,355</u> |

Absorption Period

In order to arrive at an absorption period for the 55 builder-owned homes, the absorption rate for the subject neighborhoods along with the surrounding developments has been reviewed. The Gardens Phase One began sales in March 2023 and consists of 526 proposed homes. There have been 447 sales suggesting an average absorption of 26.3 homes per month across the six product lines, which is considered to be above average for the subject area. When looking at each product line individually, Dayflower has averaged a sales pace of 4.1 sales per month, Blue Sage has averaged 4.6 sales per month, Acacia has averaged 4.6 sales per month, Silverberry has averaged 5.2 sales per month, Wildrose has averaged 4.6 sales per month and Azalea has averaged 3.9 sales per month. The market comparables have a range of 2.1 to 5.2 sales per month. Taking into consideration the product, concluded sales prices and current escrows, along with the current interest rates, it has been concluded that the 55 builder-owned homes will be absorbed within a four-month time period at the concluded values.

Remaining Costs

As discussed under the remaining costs section earlier within this report, there is \$37,671.60 per home/lot/pad in remaining land development costs associated with the builder-owned homes, which equates to a total of \$2,071,938 for the subject 55 homes. It is an assumption of this analysis that the remaining costs will be spread evenly over the four-month absorption time period.

Expenses

In determining an expense rate, several builders in the subject area have been interviewed as to their expenses on selling existing inventory. Expenses include marketing and general administrative costs. These costs typically range from six to ten percent depending on varying factors such as absorption period, intensity of marketing, etc. Due to the volatile market, we are considering eight percent for marketing expenses and two percent for general and administrative costs for a total of ten percent in expenses for this analysis.

Profit

Several interviews with merchant builders in the area were conducted in order to determine an appropriate profit percentage for the subject properties. In the early 2000s, developers typically attempted to achieve a 10 to 12 percent profit based on gross sales proceeds. During the early great recession, this range was lowered considerably to six to 10 percent with some builders drastically lowering their profit potential in order to maintain their work force. A ten percent profit is considered appropriate in the analysis for this project.

Discount Rate

In selecting a discount rate, the following was completed:

1. Interviews with merchant builders in the San Bernardino area
2. Review of current market conditions including current market rates as well as yields reflected in other markets (i.e., municipal bonds, corporate bonds, etc.)
3. The quality, construction, historical sales and product on the subject property

The homes within The Gardens Phase One began selling in March 2023 with the product being very well received in the marketplace with a 26.3 sales per month average across the

six product lines with the averages per community ranging from 3.9 and 5.2 sales per month. This compares to the overall Inland Empire average sales rate per community of 4.0 sales per month (year to date as of August 18, 2024). The subject is performing very near or above the average of the overall market. The excellent absorption rate is thought to be due to the incentives being offered by the builder including closing cost help and mortgage rate buydowns. Based on the sales rate within the six communities in the subject project, the competition, the product and location, and current market conditions, a ten percent discount rate is considered appropriate for this analysis.

Discounted Cash Flow Summary

The discounted revenue (see DCF Analyses in addenda) for the builder-owned homes within Narra Hills is **\$27,988,434**

The Gardens Phase One – Lennar Ownership

| | |
|---|-----------------------------|
| 75 Lots/Pads owned by Lennar | \$ 18,884,629 |
| 55 Houses (including 14 models) Builder-owned | <u>27,988,434</u> |
| Total Lennar Ownership | <u>\$ 46,873,063</u> |

The Gardens Phase One – AG EHC II Ownership

| | |
|---------------------------------|----------------------------|
| 30 Lots/Pads owned by AG EHC II | <u>\$ 7,679,851</u> |
|---------------------------------|----------------------------|

Individual Owners Value Conclusion – The Gardens Phase One

There are 366 individually owned homes within the subject property. Based on the concluded value for each plan, the individually owned homes within the subject property have a minimum market value of:

| | |
|-----------------------------------|--------------|
| Dayflower Plan 1 (17 x \$458,780) | \$ 7,799,260 |
| Dayflower Plan 2 (16 x \$476,715) | 7,627,440 |
| Dayflower Plan 3 (17 x \$492,355) | 8,370,035 |
| Blue Sage Plan 1 (21 x \$528,320) | 11,094,720 |
| Blue Sage Plan 2 (23 x \$554,715) | 12,758,445 |
| Blue Sage Plan 3 (13 x \$579,080) | 7,528,040 |
| Blue Sage Plan 4 (10 x \$591,000) | 5,910,000 |

| | |
|-------------------------------------|------------------------------|
| Acacia Plan 1 (20 x \$608,575) | 12,171,500 |
| Acacia Plan 2 (19 x \$624,870) | 11,872,530 |
| Acacia Plan 3 (21 x \$642,720) | 13,497,120 |
| Silverberry Plan 1 (18 x \$697,965) | 12,563,370 |
| Silverberry Plan 2 (27 x \$719,820) | 19,435,140 |
| Silverberry Plan 3 (26 x \$733,635) | 19,074,510 |
| Wildrose Plan 1 (18 x \$647,700) | 11,658,600 |
| Wildrose Plan 2 (23 x \$746,250) | 17,163,750 |
| Wildrose Plan 3 (25 x \$760,725) | 19,018,125 |
| Azalea Plan 1 (16 x \$708,800) | 11,340,800 |
| Azalea Plan 2 (18 x \$780,240) | 14,044,320 |
| Azalea Plan 3 (18 x \$801,360) | 14,424,480 |
| Total Individual Owned Value | <u>\$ 237,352,185</u> |

In an additional review, we have reviewed the original builder sales prices for the homes within the subject property. Closings for the 366 homes occurred between August 11, 2023, and August 23, 2024. The reported closing prices by the builder for the 366 individually owned homes total \$233,463,329, which is 1.6 percent lower than the concluded value. The builder's reported prices include premiums, upgrades and purchased options as well as taking into consideration all concessions given by the builder, including closing costs and mortgage buydowns. Base pricing has increased since the project opened with base pricing increasing from 2.38 percent up to 11.49 percent depending on the neighborhood and the plan. Offsetting these increases, however, are the increased concessions including rate buy-downs. The current market and the current incentives in today's market have been taken into account in our analysis. The above valuation is for the minimum market value, as it takes into consideration the base plan price only and does not take into account any options, premiums or upgrades which were purchased by the buyers; however, it does take all concessions into consideration. It is our conclusion that the original builder sales prices further substantiate the concluded minimum market value for the individually owned homes.

APPRAISAL REPORT SUMMARY

The appraisal assignment was to value the subject property within Fontana CFD No. 112 which consists of 526 proposed residential units. The 526 units are known as The Gardens Phase One, being marketed, and sold by Lennar, and are located in the northern portion of the City of Fontana. The subject includes six product lines: Dayflower, 69 proposed Triplex homes including a carriage house up over garages and two detached units in each configuration; Blue Sage, 99 proposed detached condominiums; Acacia, 109 proposed single-family detached homes on 2,700 square foot minimum lots; Silverberry, 97 proposed homes on 4,000 square foot minimum lots; Wildrose, 88 proposed homes on 4,700 square foot minimum lots; and Azalea, 64 proposed homes on 6,000 square foot minimum lots. As of August 25, 2024, individuals have purchased and closed 366 of the total 526 proposed houses, with an additional 81 homes in escrow which are due to close upon completion. The community has sold at equal to or above the average sales pace. All structures appear to be in excellent condition with no visible depreciation. We have reviewed builder sales and reviewed the local MLS for current listings or resales and found 3 current resale listings with one of the transactions pending.

The subject properties were valued utilizing the Sales Comparison Approach to value, a Discounted Cash Flow Analysis, and a Mass Appraisal Technique for the individually owned homes. A minimum value was determined by concluding at a base value for the individually owned homes. The valuation took into account the improvements/benefits to be funded by the special tax Fontana CFD No. 112 bond proceeds along with the Fontana CFD No. 112 special tax lien. The concluded aggregate value for the subject properties, subject to their respective special tax lien, is:

The Gardens Phase One:

| | |
|--|-----------------------------|
| Lennar (75 lots/pads & 55 houses) | \$ 46,873,063 |
| AG EHC II (30 lots/pads) | \$ 7,679,851 |
| Individual Owners (366 houses) | <u>\$237,352,185</u> |
| Total Aggregate Value CFD No. 112 | <u>\$291,905,099</u> |

The above values are stated as of said date of value and subject to the attached Assumptions and Limiting Conditions and Appraiser's Certification.

APPRAISER'S CERTIFICATION

The appraiser certifies that to the best of his 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 my personal, unbiased, professional analyses, opinions and conclusions.
3. The appraiser has no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
4. The appraiser's compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.
5. This appraisal was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
6. The analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
7. Kitty Siino has made a personal inspection of the property that is the subject of this report.
8. Kitty Siino has not performed any appraisal services on the subject property in the past three years.
9. No other appraisers have provided significant professional assistance to the persons signing this report.
10. The reported analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Kitty Siino has completed the requirements of the continuing education program of the Appraisal Institute.



Kitty S. Siino, MAI
State Certified General
Real Estate Appraiser (AG004793)

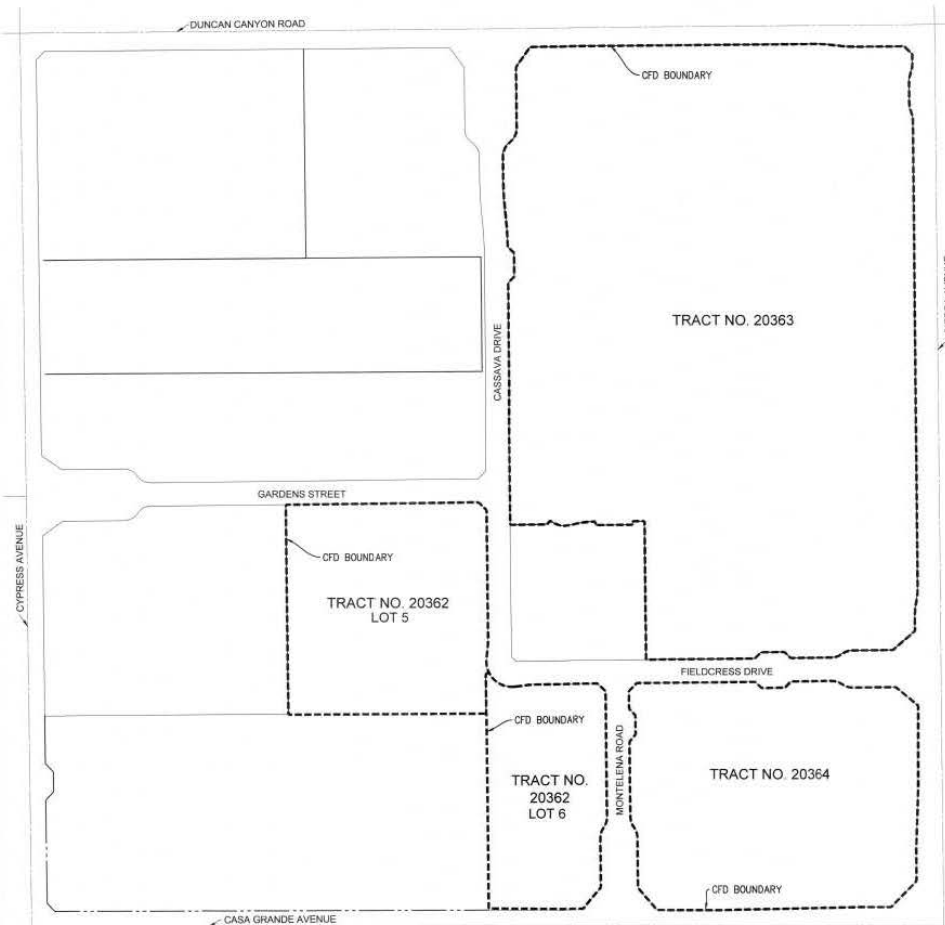
ADDENDA

FONTANA CFD NO. 112
BOUNDARY MAP

CONFIRMED COPY

PROPOSED BOUNDARIES OF CITY OF FONTANA COMMUNITY FACILITIES DISTRICT NO. 112 (THE GARDENS PHASE ONE)

COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA



LEGAL DESCRIPTION:

THE PROPOSED BOUNDARIES OF CITY OF FONTANA COMMUNITY FACILITIES DISTRICT NO. 112 (THE GARDENS PHASE ONE) CONTAINS 69.97 ACRES OF LAND, MORE OR LESS.

REFERENCE IS HEREBY MADE TO TRACT NO. 20362 FILED IN BOOK 362 OF TRACT MAPS AT PAGES 78 THROUGH 84 (RECORDED AS DOCUMENT NO. 2022-0129505), TRACT NO. 20363 FILED IN BOOK 363 OF TRACT MAPS AT PAGES 58 THROUGH 66 (RECORDED AS DOCUMENT NO. 2022-0258206), AND TRACT NO. 20364 FILED IN BOOK 363 OF TRACT MAPS AT PAGES 67 THROUGH 71 (RECORDED AS DOCUMENT NO. 2022-0258206), IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, FOR A DESCRIPTION OF THE LINES AND DIMENSION OF THE LOTS INCLUDED HEREON.

THE PROPOSED BOUNDARIES OF CITY OF FONTANA COMMUNITY FACILITIES DISTRICT NO. 112 (THE GARDENS PHASE ONE) CONTAINS LOT 5 AND LOT 6 OF TRACT NO. 20362, ALL OF TRACT NO. 20363, AND ALL OF TRACT NO. 20364.

BASIS OF BEARINGS

THE EASTERLY LINE OF SECTION 19, ALSO BEING THE CENTERLINE OF SIERRA AVENUE BEING: $N00^{\circ}33'32''W$ PER TRACT MAP NO. 20153, M.B. 352/17-25.

CITY CLERK'S CERTIFICATE

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF FONTANA THIS 15th DAY OF March, 2023.

Araceli Espinoza
CITY CLERK, CITY OF FONTANA

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING THE PROPOSED BOUNDARIES OF CITY OF FONTANA COMMUNITY FACILITIES DISTRICT NO. 112 (THE GARDENS PHASE ONE), COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF FONTANA AT A REGULAR MEETING THEREOF, HELD ON THE 14th DAY OF March, 2023, BY RESOLUTION NO. 2023-0112.

Araceli Espinoza
CITY CLERK, CITY OF FONTANA

SAN BERNARDINO COUNTY RECORDER'S CERTIFICATE:

THIS MAP HAS BEEN FILED UNDER DOCUMENT NUMBER 2023-0067593,
THIS 23rd DAY OF March, 2023, AT 2:33 A.M.,
IN BOOK 91 OF Tracts, AT PAGE 5, AT THE REQUEST OF THE CITY OF FONTANA
IN THE AMOUNT OF \$ 11.00

CHRIS MUNTE
ASSESSOR-RECORDER-COUNTY CLERK
SAN BERNARDINO COUNTY

BY: *Chris Duan*
DEPUTY RECORDER



PROPOSED BOUNDARIES OF CITY OF FONTANA COMMUNITY FACILITIES DISTRICT NO. 112 (THE GARDENS PHASE ONE)

PREPARED BY:
K&A ENGINEERING 357 N. SHERIDAN STREET
LAND PLANNING SUITE 117 CORONA, CALIFORNIA 92079
SURVEYING TEL: (951) 279-1800
FAX: (951) 279-4380
Engineering, Inc.

SHEET
1 OF 1

TRACT MAP Nos. 20362, 20363 and 20364
And DAYFLOWER AND BLUE SAGE
SITE PLANS

TRACT NO. 20362

IN THE CITY OF FONTANA
LOTS 1 - 6 FOR CONDOMINIUM PURPOSES

BEING A SUBDIVISION OF A PORTION THE NORTHEAST 1/4 OF SECTION 19, TOWNSHIP 1 NORTH, RANGE 5 WEST,
SAN BERNARDINO MERIDIAN, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA

K & A ENGINEERING, INC. AUGUST, 2021

BOUNDARY AND INDEX MAP

SHEET 2 OF 7 SHEETS

BASIS OF BEARINGS

THE EASTERLY LINE OF SECTION 19, ALSO BEING THE CENTERLINE OF SIERRA AVENUE
BEING: N00°33'32"W PER TRACT MAP NO. 20153, M.B. 352/17-25.

SURVEYOR'S NOTES:

- () INDICATES RECORD PER TRACT MAP NO. 20153, M.B. 352/17-25, UNLESS OTHERWISE NOTED.
- [] INDICATES RECORD PER RECORD OF SURVEY NO. 15-001, R.S. 155/82, UNLESS OTHERWISE NOTED.
- INDICATES MONUMENT PER TRACT MAP NO. 20153, M.B. 352/17-25.
- INDICATES FOUND MONUMENT AS NOTED.
- ▲ INDICATES MONUMENT PER TRACT MAP NO. 20212 M.B. 355/3-8
- INDICATES SET 1" IRON PIPE WITH BRASS TAG STAMPED "S. 9154", FLUSH, UNLESS OTHERWISE NOTED.
- (R) DENOTES RADIAL BEARING
- (PRC) DENOTES POINT OF REVERSE CURVE
- (PCC) DENOTES POINT OF COMPOUND CURVE

FOR LOT CORNERS, A NAIL AND BRASS TAG STAMPED "S. 9154" SHALL BE SET IN CONCRETE CURB ON THE PROLONGATION OF THE SIDE LOT LINE IN LIEU OF THE FRONT LOT CORNERS. A 1" IRON PIPE WITH BRASS TAG STAMPED "S. 9154" SHALL BE SET AT REAR LOT CORNER UNLESS OTHERWISE NOTED.

EASEMENT NOTES:

- △ INTENTIONALLY DELETED
- △ EXISTING EASEMENT FOR ROADWAY PURPOSES FOR PROVIDING INGRESS AND EGRESS AND INCIDENTAL PURPOSES, RECORDED 4/22/1955 IN BOOK 3638, PAGE 491 O.R.
- △ EXISTING EASEMENT FOR ROADWAY PURPOSES FOR PROVIDING INGRESS AND EGRESS AND INCIDENTAL PURPOSES, RECORDED 5/06/1955 IN BOOK 3638, PAGE 59 O.R.
- △ EXISTING EASEMENT FOR ROADWAY PURPOSES FOR PROVIDING INGRESS AND EGRESS AND INCIDENTAL PURPOSES, RECORDED 5/06/1955 IN BOOK 3638, PAGE 43 O.R.
- △ EXISTING EASEMENT FOR INGRESS, EGRESS AND INCIDENTAL PURPOSES, RECORDED 10/18/1957 IN BOOK 4349, PAGE 359 O.R.
- △ EXISTING EASEMENT FOR INGRESS AND EGRESS AND INCIDENTAL PURPOSES, RECORDED 10/18/1957 IN BOOK 4349, PAGE 359 AND RE-RECORDED 10/29/1957 AS BOOK 4357, PAGE 95 O.R.
- △ EXISTING EASEMENT FOR WATER PIPELINE SYSTEM AND INCIDENTAL PURPOSES IN FAVOR OF WEST SAN BERNARDINO COUNTY WATER DISTRICT, RECORDED 2/13/2003 AS INSTRUMENT NO. 2003-0090644 OF O.R.
- △ AN EASEMENT FOR WATER PIPELINES AND INCIDENTAL PURPOSES IN FAVOR OF WEST SAN BERNARDINO COUNTY WATER DISTRICT, RECORDED 2/13/2003 AS INSTRUMENT NO. 2003-0090644 O.R.
- △ AN EASEMENT FOR WATER PIPELINES AND INCIDENTAL PURPOSES IN FAVOR OF CITY OF FONTANA, RECORDED 2/13/2003 AS INSTRUMENT NO. 2003-0090644 OF OFFICIAL RECORDS.
- △ AN EASEMENT FOR STORM DRAIN PURPOSES IN FAVOR OF CITY OF FONTANA, RECORDED 6/17/2002 AS INSTRUMENT NO. 2002-033246 O.R.
- △ A DEDICATION FOR FLOOD REGULATION BASIN IN FAVOR OF WEST SAN BERNARDINO COUNTY WATER DISTRICT, RECORDED 10/25/2003 AS INSTRUMENT NO. 2003-0090644 OF OFFICIAL RECORDS.
- △ AN EASEMENT FOR STREET, HIGHWAY, PUBLIC UTILITY AND INCIDENTAL PURPOSES IN FAVOR OF CITY OF FONTANA, RECORDED 9/2/2020 AS INSTRUMENT NO. 2020-028943, OFFICIAL RECORDS
- △ AN EASEMENT FOR LANDSCAPE AND SIDEWALK PURPOSES IN FAVOR OF THE CITY OF FONTANA
- △ AN EASEMENT FOR STORM DRAIN AND MAINTENANCE PURPOSES IN FAVOR OF THE CITY OF FONTANA

LINE TABLE

| NO. | BEARING | DISTANCE |
|-----|-------------|-------------------|
| L1 | N00°40'56"W | 330.89 (330.84) |
| L2 | N00°31'11"W | 331.50 (331.37) |
| L3 | N00°37'14"W | 566.17 (566.02) |
| L4 | N89°34'11"W | 1326.89 (1327.20) |
| L5 | N89°34'11"W | 1326.89 (1327.20) |

PROJECT SITE

VICINITY MAP
NOT TO SCALE

SHEET 2 OF 9 SHEETS

BEING A SUBDIVISION OF ALL OF LOT 8 OF TRACT NO. 20382 AS RECORDED IN BOOK 362, PAGES 78 THROUGH 84, INCLUSIVE OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, SECTION 19, TOWNSHIP 1 NORTH, RANGE 5 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA.

SEPTEMBER, 2021

LINE TABLE

| NO. | BEARING | LENGTH |
|-----|--------------|--------|
| L1 | N00°33'32" E | 103.80 |
| L2 | N00°33'32" W | 51.09 |
| L3 | N00°33'32" W | 60.00 |
| L4 | N00°33'32" W | 43.80 |
| L5 | N45°33'32" E | 55.46 |
| L6 | N89°26'28" E | 68.00 |
| L7 | N44°26'28" E | 25.48 |
| L8 | N89°26'28" W | 13.74 |
| L9 | N44°33'32" E | 28.45 |
| L10 | N00°33'32" W | 68.00 |
| L11 | N45°33'32" E | 25.46 |
| L12 | N00°33'32" W | 71.50 |
| L13 | N00°33'32" W | 44.00 |

CURVE TABLE

| NO. | DELTA | RADIUS |
|-----|-----------|----------|
| C1 | 08°34'42" | 380.20 |
| C2 | 08°34'42" | 414.25 |
| C3 | 23°37'12" | 53.00 |
| C4 | 23°37'12" | 77.00 |
| C5 | 12°39'11" | 168.00 |
| C6 | 12°39'11" | 182.00 |
| C7 | 36°52'12" | 50.00 |
| C8 | 10°59'02" | 980.00 |
| C9 | 48°58'43" | 70.00 |
| C10 | 01°20'30" | 1,985.00 |
| C11 | 01°20'30" | 2,515.00 |
| C12 | 26°53'05" | 634.00 |
| C13 | 08°28'28" | 886.00 |
| C14 | 08°28'28" | 50.00 |
| C15 | 00°51'58" | 600.00 |
| C16 | 01°20'30" | 2,000.00 |

THE EASTERLY LINE OF SECTION 19, ALSO BEING THE CENTERLINE OF SIERRA AVENUE
BEING: N00°33'32"W PER TRACT MAP NO. 20153, M.B. 352/17-25.

() INDICATES RECORD PER TRACT MAP NO. 20382, A.B. 362/78-84, UNLESS OTHERWISE NOTED.

● INDICATES MONUMENT PER TRACT MAP NO. 20362, M.O. 362/78-84

■ INDICATES FOUND MONUMENT AS NOTED.

○ INDICATED SET 1" FROM PIPE WITH BRASS TAG STAMPED "L.S. 9154", FLUSH, UNLESS OTHERWISE NOTED.

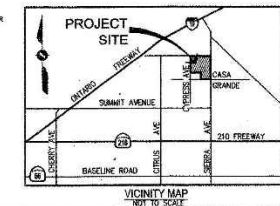
(R) DENOTES RADIAL BEARING

(PRC) DENOTES POINT OF REVERSE CURVE

(PCC) DENOTES POINT OF COMPOUND CURVE

1 EXISTING EASEMENT FOR LANDSCAPE AND SIDEWALK PURPOSES IN FAVOR OF CITY OF FONTANA, PER TRACT NO. 20362, M.B. 362/78-84.

FOR LOT CORNERS, A NAIL AND BRASS TAG STAMPED "L.S. 9154" SHALL BE SET IN CONCRETE CURB ON THE PROLONGATION OF THE SIDE LOT LINE IN LIES OF THE FRONT LOT CORNERS. A 1" IRON PIPE WITH BRASS TAG STAMPED "L.S. 9154" SHALL BE SET AT REAR LOT CORNER UNLESS OTHERWISE NOTED.



SHEET 2 OF 5 SHEETS

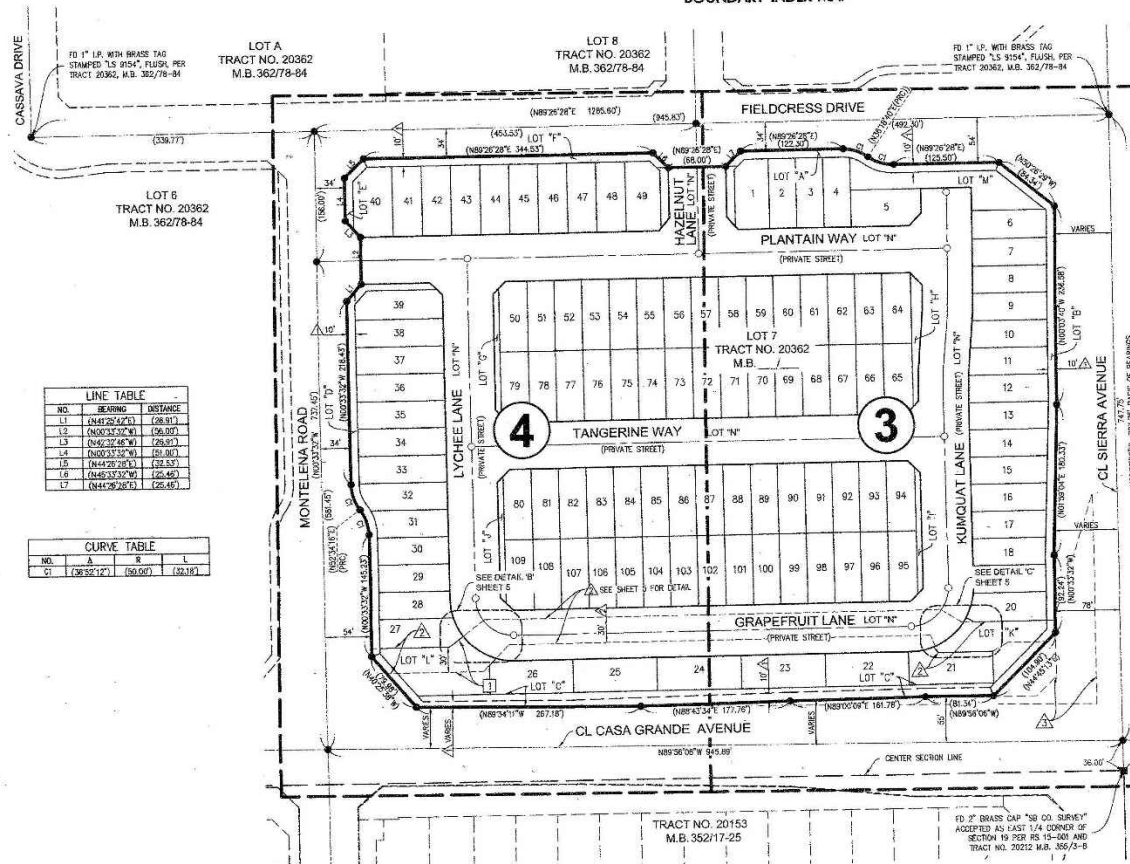
IN THE CITY OF FONTANA

BEING A SUBDIVISION OF ALL OF LOT 7 OF TRACT NO. 20362 AS RECORDED IN BOOK 362, PAGES 78 THROUGH 84, INCLUSIVE OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, SECTION 19, TOWNSHIP 1 NORTH, RANGE 5 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF FONTANA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA.

K & A ENGINEERING, INC.

SEPTEMBER, 2021

BOUNDARY INDEX MAP



| NO. | BEARING | DISTANCE |
|-----|---------------|----------|
| L1 | (N41°25'42"E) | (28.91') |
| L2 | (N00°35'32"W) | (56.00') |
| L3 | (N42°32'46"W) | (26.91') |
| L4 | (N00°35'32"W) | (51.00') |
| L5 | (N44°28'26"E) | (32.53') |
| L6 | (N45°35'32"W) | (25.46') |
| L7 | (N44°28'26"E) | (25.46') |

| CURVE TABLE | | | |
|-------------|-------------|----------|----------|
| NO. | Δ | R | L |
| C1 | (36°52'12") | (50.00') | (32.18') |

BASIS OF BEARINGS:

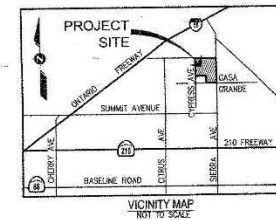
THE EASTERLY LINE OF SECTION 19, ALSO BEING THE CENTERLINE OF SIERRA AVENUE BEING:
N00°33'32"W PER TRACT MAP NO. 20153, M.B. 352/17-25.

SURVEYOR'S NOTES:

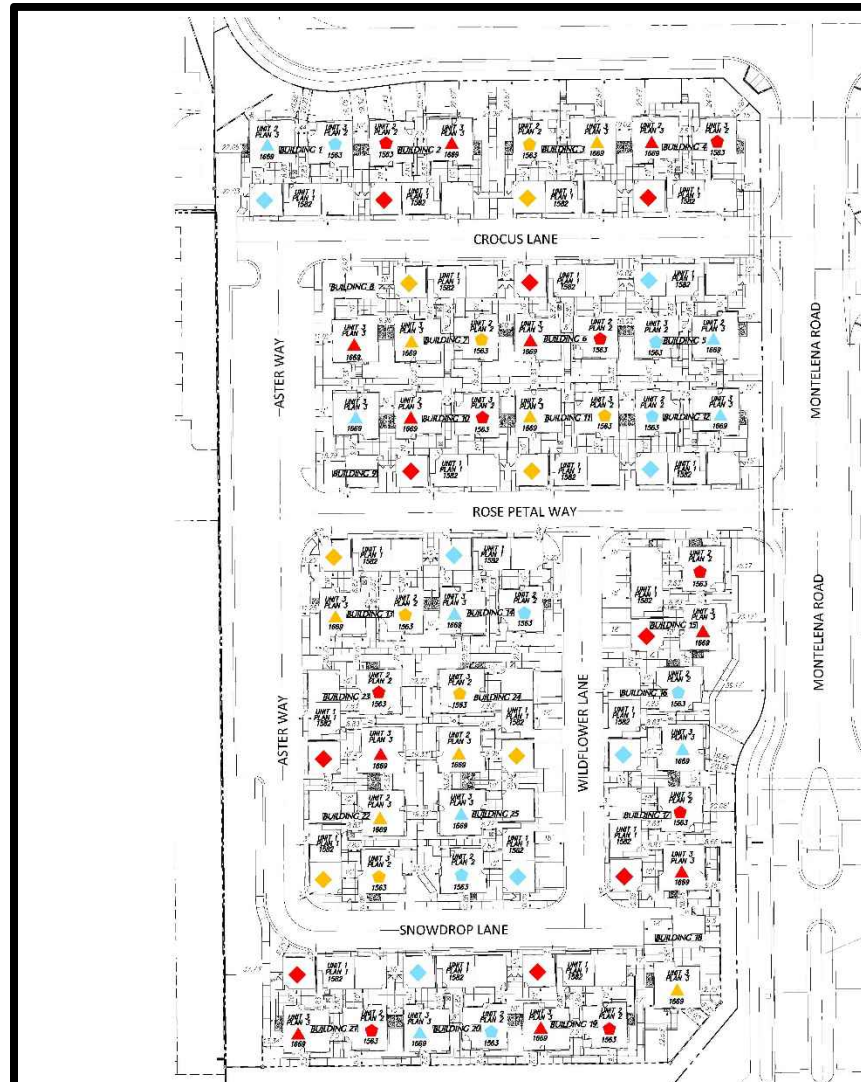
- () INDICATES RECORD PER TRACT MAP NO. 20362, M.B. 362/70-34, UNLESS OTHERWISE NOTED.
- INDICATES MOVEMENT PER TRACT MAP NO. 20362, M.B. 362/70-34
 - ◆ INDICATES FLOW MOVEMENT AS NOTED.
 - INDICATES SET "I" IRON PIPE WITH A BRASS TAP STAMPED "L.S. 8145". FLUSH, UNLESS OTHERWISE NOTED.
- (H) DENOTES RADIAL BEARING
- (FRC) DENOTES POINT OF REVERSE CURVE
- (PCD) DENOTES POINT OF COMPOUND CURVE
- FOR LOT 1 CORNERS A, B, C AND BRASS TAP STAMPED "L.S. 8154" SHALL BE SET IN CONCRETE CURB ON THE PROLONGATION OF THE SIDE LOT LINE R/L/D OF THE FRONT LOT CORNERS. A, B AND BRASS TAP STAMPED "L.S. 8154" SHALL BE SET IN CONCRETE CURB UNDER THE SIDE LOT LINE R/L/D OF THE FRONT LOT CORNER UNLESS OTHERWISE NOTED.

EASEMENT NOTES:

- ⚠️ AN EASEMENT FOR LANDSCAPE AND SIDEWALK PURPOSES IN FAVOR OF CITY OF FONTANA, PER TRACT NO. 20362, M.B. 351/78-84.
- ⚠️ AN EASEMENT FOR STORM DRAIN AND MAINTENANCE PURPOSES IN FAVOR OF THE CITY OF FONTANA, PER TRACT NO. 20362, M.B. 351/78-84.
- ⚠️ AN EASEMENT FOR STREET, HIGHWAY, PUBLIC UTILITY AND INCIDENTAL PURPOSES, IN FAVOR OF CITY OF FONTANA, RECORDED: 9/2/2020 AS INSTRUMENT NO. 2020-328943, OFFICIAL RECORDS
- 1 AN EASEMENT FOR SANITARY SEWER AND MAINTENANCE PURPOSES IN FAVOR OF THE CITY OF FONTANA, AS SHOWN HEREON.

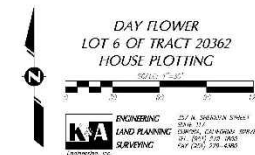


Dayflower Site Plan



| TRACT 20362 ELEVATION MIX | | | | | | | | | |
|---------------------------|--------|-------|--------|-------|--------|-------|-------|-------|-------|
| | ELEV A | UNITS | ELEV B | UNITS | ELEV C | UNITS | MODEL | UNITS | TOTAL |
| PLAN 1 | ◆ | 8 | ◆ | 7 | ◆ | 6 | ◆ | 1 | 22 |
| PLAN 2 | ◆ | 8 | ◆ | 7 | ◆ | 6 | ◆ | 1 | 22 |
| PLAN 3 | ◆ | 9 | ◆ | 8 | ◆ | 7 | ◆ | 1 | 25 |
| TOTAL | | 25 | | 22 | | 19 | | | 69 |













| PLOT MIX | | | |
|-----------|----------|------------|---------------------|
| PLAN TYPE | PLAN MIX | % PLAN MIX | PLAN SQUARE FOOTAGE |
| PLAN 1 | 22 | 31.884 | 1582 |
| PLAN 2 | 22 | 31.884 | 1563 |
| PLAN 3 | 25 | 36.232 | 1669 |
| TOTAL | 69 | 100.00 | |



Blue Sage Site Plan



| PLOT MIX | | | |
|-----------|----------|------------|---------------------|
| PLAN TYPE | PLAN MIX | % PLAN MIX | PLAN SQUARE FOOTAGE |
| PLAN 1 | 26 | 26.26 | 1651 |
| PLAN 2 | 30 | 30.30 | 1761 |
| PLAN 3 | 23 | 23.23 | 1868 |
| PLAN 4 | 20 | 20.20 | 1970 |
| TOTAL | 99 | 100 | |

| TRACT 20362 ELEVATION MIX | | | | | | | | | |
|---------------------------|---|-------|---|-------|---|-------|---|-------|-------|
| | ELEV A | UNITS | ELEV B | UNITS | ELEV C | UNITS | MODEL | UNITS | TOTAL |
| PLAN 1 |  | 9 |  | 9 |  | 8 | | 0 | 26 |
| PLAN 2 |  | 10 |  | 10 |  | 9 |  | 1 | 30 |
| PLAN 3 |  | 8 |  | 6 |  | 8 |  | 1 | 23 |
| PLAN 4 |  | 7 |  | 6 |  | 6 |  | 1 | 20 |
| TOTAL | | 32 | | 31 | | 30 | | 6 | 99 |

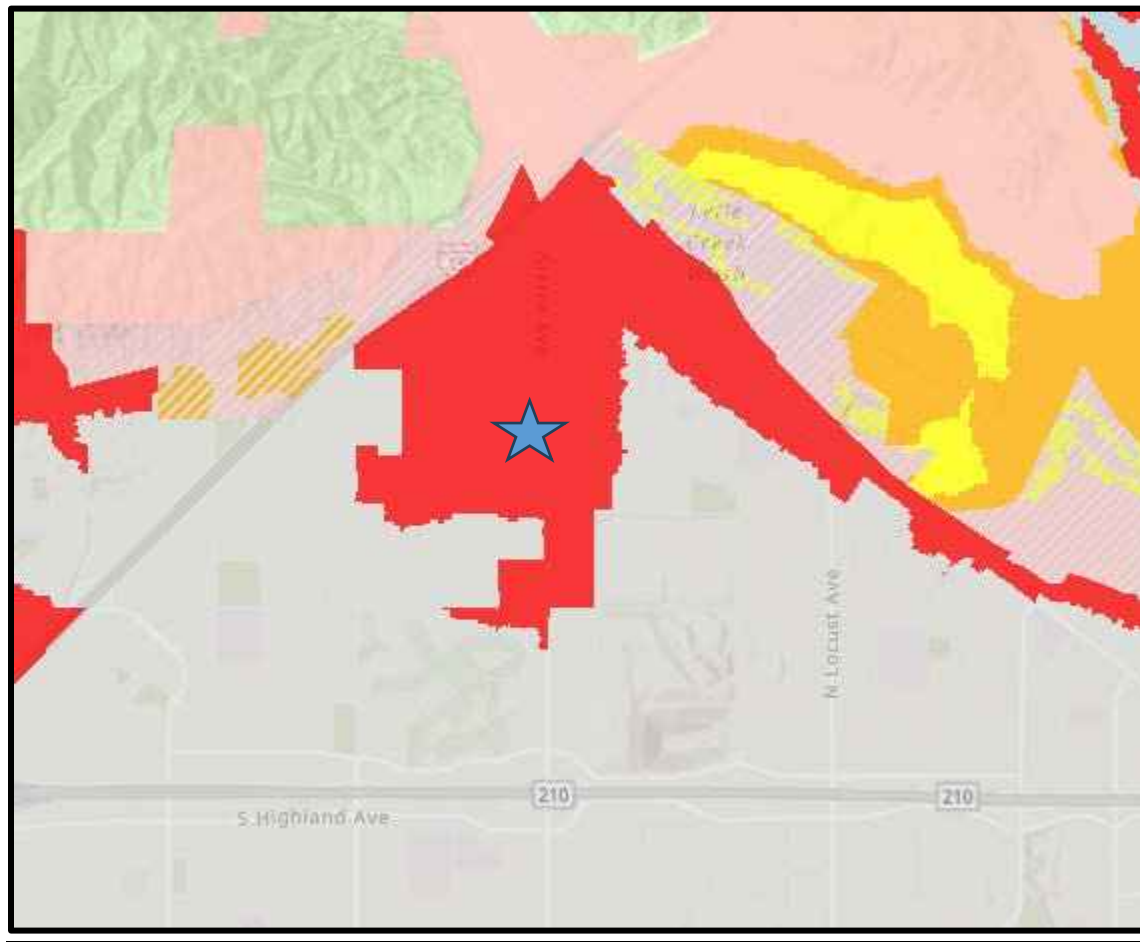
BLUE SAGE
LOT 5 OF TRACT 20362
HOUSE PLOT MIX

0 10 20 30 40 50 60 70 80 90 100

ENGINEERING
LAND PLANNING
SURVEYING
K&A
300 N. GARDEN STREET
SUITE 100
CANAAN, CALIFORNIA 95920
(916) 261-1111
(916) 261-1112

California Fire Hazard Map

California Fire Hazard Map – Approximate Location of The Gardens Phase One is Blue Star



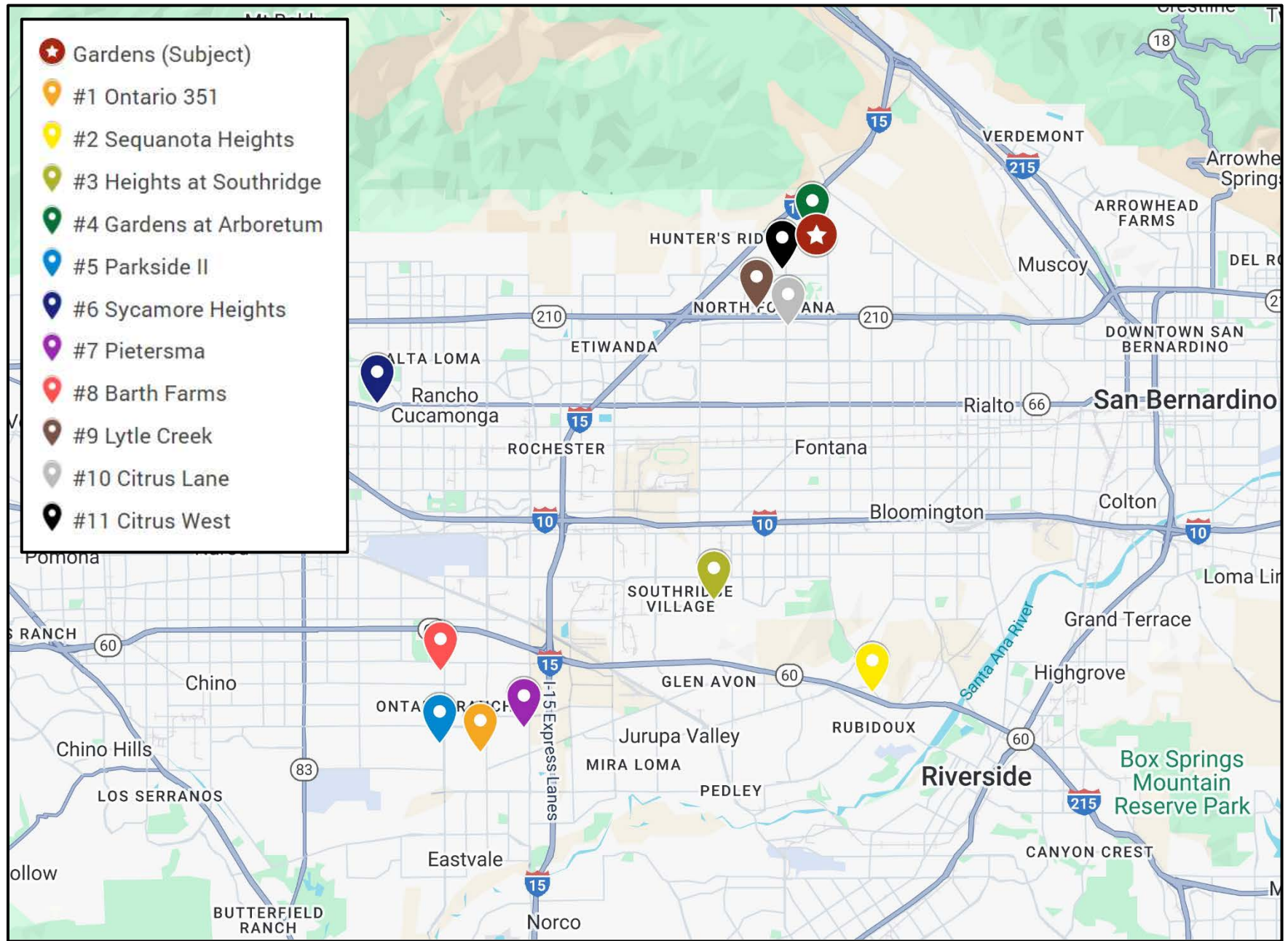
DISCOUNTED CASH FLOW ANALYSIS

The Gardens Phase One Builder-Owned Houses Discounted Cash Flow Analysis

| MONTH | Months | <u>MONTH 1</u> | <u>MONTH 2</u> | <u>MONTH 3</u> | <u>MONTH 4</u> | <u>TOTAL</u> |
|---------------------------------|------------|--------------------|---------------------|---------------------|---------------------|----------------------|
| | 4 | | | | | |
| INCOME: | | | | | | |
| Retail Sales | 38,307,355 | \$9,576,839 | \$9,576,839 | \$9,576,839 | \$9,576,839 | \$38,307,355 |
| TOTAL INCOME | | <u>\$9,576,839</u> | <u>\$9,576,839</u> | <u>\$9,576,839</u> | <u>\$9,576,839</u> | <u>\$38,307,355</u> |
| EXPENSES: | | | | | | |
| Remaining Costs | | (\$517,984) | (\$517,985) | (\$517,984) | (\$517,985) | (\$2,071,938) |
| Marketing & Carrying Expenses | 10% | (\$957,684) | (\$957,684) | (\$957,684) | (\$957,684) | (\$3,830,736) |
| Profit | 10% | <u>(\$957,684)</u> | <u>(\$957,684)</u> | <u>(\$957,684)</u> | <u>(\$957,684)</u> | <u>(\$3,830,736)</u> |
| TOTAL EXPENSES | | (\$2,433,352) | (\$2,433,353) | (\$2,433,352) | (\$2,433,353) | (\$9,733,409) |
| NET CASH FLOW | | \$7,143,487 | \$7,143,486 | \$7,143,487 | \$7,143,486 | \$28,573,946 |
| Discount Factor | 10% | <u>0.9917</u> | <u>0.9835</u> | <u>0.9754</u> | <u>0.9673</u> | |
| DISCOUNTED CASH FLOW | | \$7,084,450 | \$7,025,900 | \$6,967,835 | \$6,910,249 | \$27,988,434 |
| CUMULATIVE DISCOUNTED CASH FLOW | | <u>\$7,084,450</u> | <u>\$14,110,350</u> | <u>\$21,078,185</u> | <u>\$27,988,434</u> | <u>\$27,988,434</u> |

FINISHED LOT LAND SALES MAP
& SUMMARY CHART

FINISHED LOT LAND SALES MAP



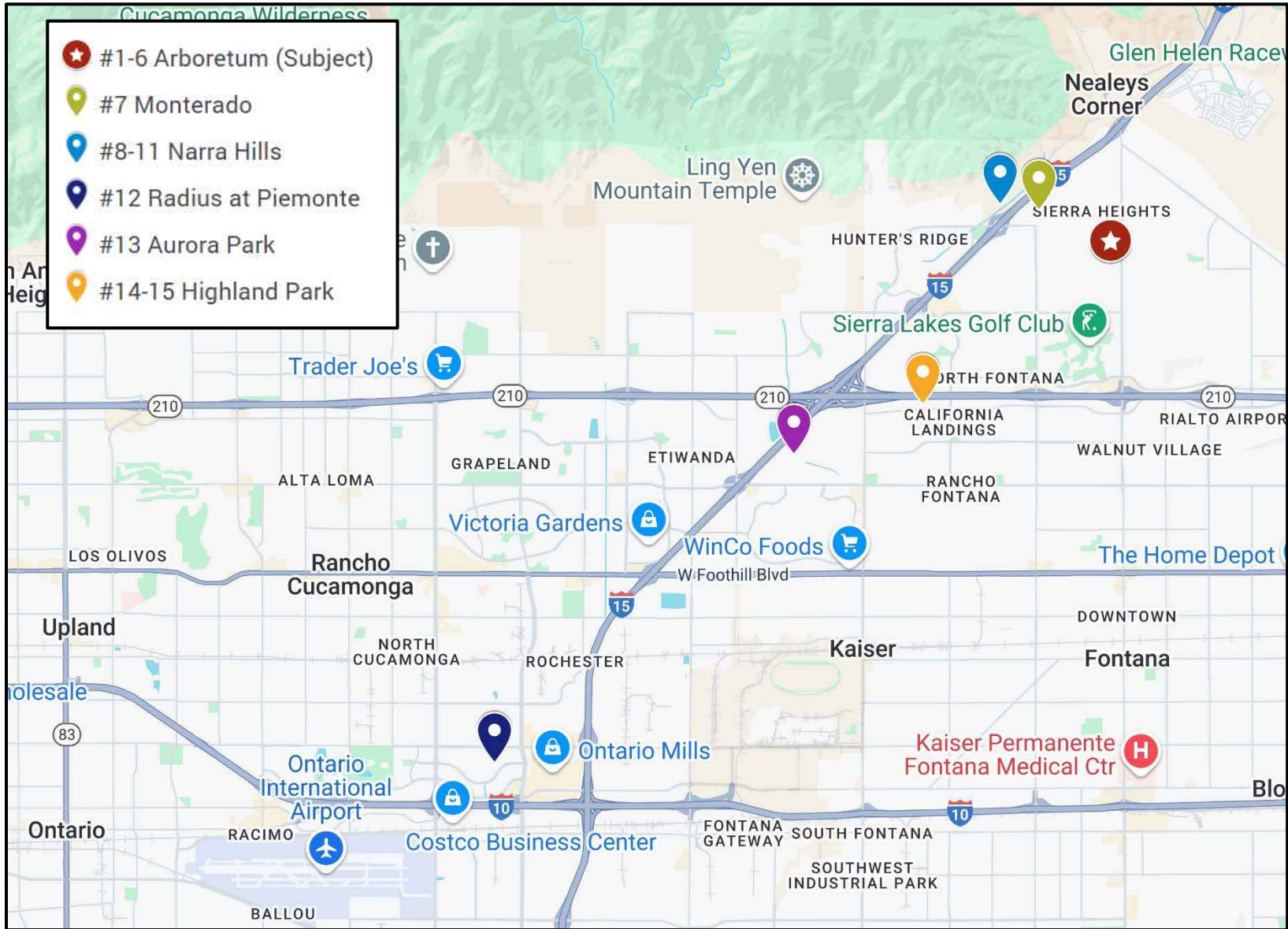
FINISHED LOT LAND SALES SUMMARY CHART

| Data No. | Location / APN / Buyer / Seller | Sales Date | # Lots | Lot Size | Sales Price / Price per Lot | Est. Finished Lot Price | Comments |
|----------|--|---------------|--------|------------|-----------------------------|-------------------------|---|
| 1 | Ontario 351, SWC Eucalyptus Ave and Haven Ave, Ontario / 1073-171-02 / KB Home / Richland Communities | June 2024 | 351 | 8 du/acre | \$85,000,000 \$242,165 | \$380,000 | Closed in unimproved condition with approved TTM. Blended FLV - KB Home paid approximately \$560,000 FLV for 4,500 sf lots, \$410,000 FLV for cluster product, and \$280,000 FLV for townhomes. |
| 2 | Sequanota Heights, 60 Freeway and Pacific Avenue, Jurupa Valley / 177-130-007 / Richmond American Homes / JPMB Investments | April 2024 | 48 | 6,300 sf | \$9,351,000 \$194,813 | \$308,000 | Closed in a rough graded condition with approved final map. |
| 3 | The Heights at Southridge, SE Live Oak Ave and Cherry Ave, Fontana / 0237-411-13 / KB Home / New Bridge Homes | April 2024 | 255 | 8 du/acre | \$31,100,000 \$121,961 | \$252,000 | Closed in unimproved condition with approved TTM. Blended FLV - consists of two product types, including a detached 8-pack cluster and detached alley-load. |
| 4 | Gardens at Arboretum, SEC Duncan Canyon Road and Cypress Ave, Fontana / 1118-421-01 / Richmond American Homes / Lewis Group of Companies | January 2024 | 174 | 10 du/acre | \$28,789,500 \$165,457 | \$279,465 | Closed in an unimproved condition with final map in process. |
| 5 | Parkside II, NWC Eucalyptus and Archibald, Ontario / 0218-053-05 / Lennar / Lewis Group of Companies | December 2023 | 236 | 16 du/acre | \$35,177,500 \$149,057 | \$250,000 | Closed in an unimproved condition with a final map in process. Blended finished lot value number- Product will be three two- and three-story cluster products. |
| 6 | Sycamore Heights, North of Rte 66, East of Red Hill Country Club Dr, Rancho Cucamonga / 0207-101-13 / Lennar / RY Properties | December 2023 | 175 | 12 du/acre | \$8,700,000 \$49,714 | \$250,000 | Closed in an unimproved condition with approved TTM. |

| | | | | | | | |
|----|---|----------------|-----|------------|---------------------------|-----------|--|
| 7 | Pietersma PA 3 & 4 (W/S Hamner north of Eucalyptus Avenue), Esperanza Specific Plan, Ontario Ranch / 0218-312-06 / Pulte Homes / Richland | December 2023 | 333 | 11 du/ac | \$72,527,499 \$217,800 | \$315,000 | Blended price, estimated F/L values are \$258,000 for 156 townhomes; \$315,000 for 82 small detached cluster lots and \$401,000 for 95 large detached cluster lots. PA 3 & 4 of Esperanza SP |
| 8 | Barth Farms (West side Archibald), S/O Riverside Drive N/O Chino, Countryside Spec. Plan, Ontario Ranch / 0218-111-60 / Lennar / Landmark Co. | October 2023 | 265 | 12 du/ac | \$49,559,000 \$187,015 | \$297,000 | Blended price, estimated F/L values are \$260,000 for townhomes; \$315,000 for Cluster and \$355,000 for detached lots. Within Countryside SP |
| 9 | Lytle Creek, SEC Sierra Lakes Parkway and Lytle Creek Road, Fontana /1108-052-05 / DR Horton / The Sobrato Family Foundation | September 2023 | 143 | 14 du/ac | \$9,850,000 \$68,881 | \$220,000 | Closed in an unimproved condition with final map in process. Blended FLV - consists of attached motorcourt units and detached motorcourt units |
| 10 | Citrus Lane, SE of Citrus Avenue and South Highland Avenue, Fontana / 0240-011-17 / DR Horton / 6997 Citrus LLC | August 2023 | 68 | 16 du/acre | \$6,300,000 \$92,647 | \$219,000 | Closed in an unimproved condition with an approved TTM. |
| 11 | Citrus West, NWC Citrus Avenue and Summit Avenue, Fontana / 1107-262-37 / DR Horton / Lynn Chao | July 2023 | 84 | 9 du/ac | \$9,850,000 \$117,262 | \$272,000 | Closed in an unimproved condition with final map in process. |

IMPROVED RESIDENTIAL
SALES MAP & SUMMARY CHART

IMPROVED RESIDENTIAL SALES SUMMARY CHART



IMPROVED RESIDENTIAL SALES SUMMARY CHART

| Data No. | Project Name Location/Developer | Plan | Room Count | Floors/ Parking | Size (SF) | Lot Size / Absorption | Base Sales Price | Price/SF |
|----------|---|------|------------|--------------------|-----------|---|------------------|----------|
| 1 | Dayflower at Arboretum, Sierra Avenue and Casa Grande Avenue, Fontana / Lennar | 1 | 3 / 2 | 2 / 2 | 1,582 | Triplex Attached 4.1 sales/mo | \$508,900 | \$321.68 |
| | | 2 | 4 / 3 | 2 / 2 | 1,563 | | \$529,900 | \$339.03 |
| | | 3 | 4 / 3 | 2 / 2 | 1,669 | | \$556,900 | \$333.67 |
| 2 | Blue Sage at Arboretum, Sierra Avenue and Casa Grande Avenue, Fontana / Lennar | 1 | 3 / 2.5 | 2 / 2 | 1,651 | 2,000 sf lots 4.6 sales/mo | \$589,290 | \$356.93 |
| | | 2 | 3 / 2.5 | 2 / 2 | 1,761 | | \$618,290 | \$351.10 |
| | | 3 | 4 / 2.5 | 2 / 2 | 1,868 | | \$623,790 | \$333.93 |
| | | 4 | 4 / 3 | 2 / 2 | 1,970 | | \$641,990 | \$325.88 |
| 3 | Acacia at Arboretum, Sierra Avenue and Casa Grande Avenue, Fontana / Lennar | 1 | 3 / 2.5 | 2 / 2 | 2,213 | 2,700 sf lots 4.6 sales/mo | \$648,060 | \$292.84 |
| | | 2 | 3 / 2.5 | 2 / 2 | 2,358 | | \$682,060 | \$289.25 |
| | | 3 | 4 / 2.5 | 2 / 2 | 2,472 | | \$701,290 | \$283.69 |
| 4 | Silverberry at Arboretum, Sierra Avenue and Casa Grande Avenue, Fontana / Lennar | 1 | 4 / 3 | 2 / 2 | 2,449 | 4,000 sf lots 5.2 sales/mo | \$742,910 | \$303.35 |
| | | 2 | 4 / 3 | 2 / 2 | 2,666 | | \$782,210 | \$293.40 |
| | | 3 | 4 / 3 | 2 / 2 | 2,877 | | \$813,830 | \$282.87 |
| 5 | Wildrose at Arboretum, Sierra Avenue and Casa Grande Avenue, Fontana / Lennar | 1 | 3 / 2 | 1 / 2 | 1,905 | 6,000 sf lots 4.6 sales/mo | \$729,480 | \$382.93 |
| | | 2 | 5 / 3 | 2 / 2 | 2,985 | | \$838,490 | \$280.90 |
| | | 3 | 4 / 3 | 2 / 2 | 3,105 | | \$819,325 | \$263.87 |
| 6 | Azalea at Arboretum, Sierra Avenue and Casa Grande Avenue, Fontana / Lennar | 1 | 4 / 2 | 1 / 2 | 2,215 | 5,500 sf lots 3.9 sales/mo | \$741,900 | \$334.94 |
| | | 2 | 5 / 4 | 2 / 2 | 3,251 | | \$838,465 | \$257.91 |
| | | 3 | 4 / 3.5 | 2 / 2 | 3,339 | | \$889,670 | \$266.45 |
| 7 | Salerno at Monterado, Citrus Avenue and Duncan Canyon Road, Fontana / Lennar (nearing sell-out) | 1 | 3 / 2.5 | 2 / 2 | 1,822 | 3,000 sf lots (Det. Cluster) 3.9 sales/mo | \$635,436 | \$348.76 |
| | | 2 | 3 / 2.5 | 2 / 2 | 1,932 | | \$644,915 | \$333.81 |
| | | 3 | 3 / 2.5 | 2 / 2 | 2,207 | | \$676,990 | \$306.75 |
| 8 | Clementine at Narra Hills, Lytle Creek Road and Duncan Canyon Road, Fontana / Landsea | 1 | 3 / 2.5 | 2 / 2 | 1,372 | Paired Homes 2.4 sales/mo | \$563,990 | \$411.07 |
| | | 2 | 3 / 2.5 | 2 / 2 | 1,450 | | \$558,990 | \$385.51 |
| | | 3 | 4 / 2.5 | 2 / 2 | 1,661 | | \$594,990 | \$358.21 |

| | | | | | | | | |
|----|---|----|---------|-------|-------|--------------------------------|-----------|----------|
| 9 | Strata at Narra Hills, Lytle Creek Road and Duncan Canyon Road, Fontana / Landsea | 1 | 3 / 2.5 | 2 / 2 | 2,099 | 2,700 sf lots | \$675,990 | \$322.05 |
| | | 2 | 4 / 3 | 2 / 2 | 2,136 | (Det. Cluster) | \$707,990 | \$331.46 |
| | | 3 | 4 / 3 | 2 / 2 | 2,311 | 3.2 sales/mo | \$726,990 | \$314.58 |
| | | 4 | 4 / 3 | 2 / 2 | 2,552 | | \$739,990 | \$289.96 |
| 10 | Wildstar at Narra Hills, Lytle Creek Road and Duncan Canyon Road, Fontana / Landsea | 1 | 4 / 3.5 | 2 / 2 | 2,747 | 5,000 sf lots | \$823,990 | \$299.96 |
| | | 2 | 4 / 4 | 2 / 2 | 2,961 | 3.1 sales/mo | \$849,990 | \$287.06 |
| | | 3 | 5 / 4.5 | 2 / 3 | 3,079 | | \$899,990 | \$292.30 |
| 11 | Skyeland at Narra Hills, Lytle Creek Road and Duncan Canyon Road, Fontana / Landsea | 1 | 3 / 3 | 1 / 2 | 2,375 | 10,000 sf lots 2.1 sales/mo | \$889,990 | \$374.73 |
| | | 1X | 4 / 3.5 | 2 / 3 | 3,080 | | \$912,990 | \$296.43 |
| | | 2 | 5 / 4.5 | 2 / 3 | 3,298 | | \$953,990 | \$289.26 |
| | | 2X | 5 / 4.5 | 2 / 3 | 3,339 | | \$969,990 | \$290.50 |
| | | 3 | 5 / 4.5 | 2 / 3 | 3,604 | | \$995,990 | \$276.36 |
| 12 | Radius at Piemonte, S of Fourth Street and W of Milliken Avenue, Ontario / Taylor Morrison | 1 | 1 / 1 | 1 / 2 | 654 | Stacked flat | \$450,990 | \$689.59 |
| | | 2 | 2 / 2 | 1 / 2 | 956 | Condos | \$514,990 | \$538.69 |
| | | 4 | 3 / 2 | 1 / 2 | 1,459 | 2.6 sales/mo | \$576,990 | \$395.47 |
| | | 5 | 3 / 2 | 1 / 2 | 1,557 | | \$592,990 | \$380.85 |
| 13 | Goldenrod at Aurora Park, Victoria Street and Kestral Drive, Fontana / TRI Pointe Homes (nearing sell-out) | 1 | 3 / 2.5 | 2 / 2 | 2,006 | 2,000 sf lots | \$679,100 | \$338.53 |
| | | 2 | 4 / 3 | 2 / 2 | 2,303 | (Det. Cluster) | \$732,762 | \$318.18 |
| | | 3 | 5 / 4 | 2 / 3 | 2,777 | 2.7 sales/mo | \$787,600 | \$283.62 |
| 14 | Cascade at Highland Park, South Highland Avenue and San Servaine Road, Fontana / Richmond American (nearing sell-out) | 1 | 3 / 2.5 | 2 / 2 | 1,860 | Alley load lots | \$638,883 | \$343.49 |
| | | 2 | 3 / 2.5 | 2 / 3 | 1,930 | 2.1 sales/mo | \$676,487 | \$350.51 |
| | | 3 | 4 / 3 | 2 / 3 | 2,065 | | \$652,990 | \$316.22 |
| 15 | Talise at Highland Park, South Highland Avenue and San Servaine Road, Fontana / Richmond American (nearing sell-out) | 1 | 3 / 2.5 | 2 / 2 | 1,410 | Cluster lots 3.1 sales/mo | \$590,309 | \$418.66 |
| | | 2 | 3 / 2.5 | 2 / 2 | 1,650 | | \$630,571 | \$382.16 |
| | | 3 | 3 / 2.5 | 2 / 2 | 1,710 | | \$655,990 | \$383.62 |
| | | 4 | 4 / 3 | 2 / 2 | 1,950 | | \$676,135 | \$346.74 |

APPRAISER'S QUALIFICATIONS

QUALIFICATIONS OF KITTY S. SIINO, MAI

Education

Bachelor of Arts in Business Administration, Financial Investments, California State University, Long Beach, California (1980)

Post-Graduate Study, Real Estate Development, University of California, Irvine, California

Appraisal Institute Classes: Uniform Standards of Professional Appraisal Practice, A & B; Appraisal Principles; Appraisal Procedures; Basic Income Capitalization; Advanced Income Capitalization; Narrative Report Writing; Advanced Applications, Case Studies. Successfully completed all classes in addition to successfully completing the writing of a Demonstration Report and taking the Comprehensive Exam. Became a Member of the Appraisal Institute in December 1996. Have completed over 100 hours of continuing education through the Appraisal Institute every five years.

Employment

1988 - Present:

Self-Employed Real Estate Appraiser. Duties include the appraisal of various types of properties such as commercial, retail, industrial and vacant land. More complex assignments include easements, right-of-ways and special assessment districts. From 1996 to present, specialized in special assessment districts and community facilities districts appraisals for public entities, including Jurupa Community Services District, Corona Norco Unified School District, City of Corona, City of Chula Vista, City of San Marcos and City of Moreno Valley.

1986-1988:

Project Manager of Development for Ferguson Partners, Irvine, California. Duties included land acquisitions; review of fee appraisals and valuations; analysis of proposed development; planning and design; and management of development, construction and lease-up. The types of properties developed were commercial and industrial. Duties ranged from raw, vacant site development through property management of recently developed projects.

1981 - 1986

Manager of Finance, Construction for Community Development Division, The Irvine Company, Irvine, California. Duties included originating and managing a newly formed division of finance to bridge between the accounting functions and project management functions. Worked with analysis and budgets for Community Development Division. Coordinated with cities in forming new Assessment Districts and Community Facilities Districts to finance major infrastructure improvements. Types of properties were apartments and single-family residential lots on a for sale basis to apartment and homebuilders.

1980 - 1981

Investment Counselor, Newport Equity Funds, Newport Beach, California. Duties included obtaining private financing for residential properties, working with appraisals of properties and analyzing the investments.

Licenses

Real Estate Sales Person, State of California, 1980
Certified General Appraiser, State of California (#AG004793)

Organizations

MAI #11145 - The Appraisal Institute

Public Financing

CASTOFF Meetings, 2006, 2007, 2008, 2009, 2010, 2011, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2022

Speaker, Mello-Roos & Special Assessment Financing, UCLA Extension Public Policy Program, February 2009 and March 2011